MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated March 15, 2023 is with respect to the three and twelve months ended December 31, 2022 (the "**Reporting Periods**") as compared to the three and twelve months ended December 31, 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 (the "**Board**") and should be read in conjunction with the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2022 and 2021 (the "**financial statements**"), 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. For further information, including reconciliations to the most directly comparable GAAP financial 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"* 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"* 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.

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. See "*Risk Factors*" in this MD&A and Note 2 "*Basis of Preparation – Climate Change and Environmental Reporting Regulations*" in the financial statements. 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.

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, 2022 (the "**AIF**"), is available on the SEDAR website at www.sedar.com and on the Corporation's website at www.birchcliffenergy.com.

CURRENT OPERATING ENVIRONMENT

Benchmark oil and natural gas prices remained volatile during 2022 primarily due to supply and demand uncertainty attributed to regional impacts of the ongoing restrictions and lockdowns in China resulting from the novel coronavirus ("**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 on global economies. Birchcliff has incorporated the current and anticipated impacts of these 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.

HIGHLIGHTS

2022 Full-Year Highlights

- Achieved annual average production of 76,925 boe/d, a 2% decrease from the twelve month Comparable Prior Period. Liquids accounted for 19% of Birchcliff's total production in the twelve month Reporting Period as compared to 21% in the Comparable Prior Period.
- Generated record annual adjusted funds flow(1) of $953.7 million, or $3.59 per basic common share(2), both of which increased by 77% from the twelve month Comparable Prior Period. Cash flow from operating activities was a record $925.3 million, an 80% increase from the twelve month Comparable Prior Period.
- Delivered record annual free funds flow(1) of $589.1 million, or $2.22 per basic common share(2), a 90% and 91% increase, respectively, from the twelve month Comparable Prior Period.
- Earned record annual net income to common shareholders of $653.7 million, or $2.46 per basic common share, a 111% and 110% increase, respectively, from the twelve month Comparable Prior Period.
- Achieved an operating netback(2) of $32.85/boe and adjusted funds flow per boe(2) of $33.97, a 53% and 80% increase, respectively, from the twelve month Comparable Prior Period.
- Realized an operating expense(3) of $3.62/boe, a 13% increase from the twelve month Comparable Prior Period.
- Successfully executed the Corporation's 2022 capital program, bringing on production a total of 39 wells. F&D capital expenditures were $364.6 million in the twelve month Reporting Period.
- Retired approximately $449.0 million of total debt(4) and preferred shares in the twelve month Reporting Period, including reducing total debt by $360.8 million (72%) from $499.4 million at December 31, 2021 and the redemption of all of its issued and outstanding cumulative redeemable preferred shares, Series A (the "**Series A Preferred Shares**") and cumulative redeemable preferred shares, Series C (the "**Series C Preferred Shares**") for an aggregate redemption value of $88.2 million.
- Returned $128.9 million to common shareholders in the twelve month Reporting Period through dividends and purchases under the Corporation's normal course issuer bid which included the purchase of 6,340,192 common shares at an average price of $9.01 per share (before fees).

Q4 2022 Highlights

- Achieved quarterly average production of 79,799 boe/d, a 1% increase from the three month Comparable Prior Period. Liquids accounted for 19% of Birchcliff's total production in the three month Reporting Period as compared to 20% in the Comparable Prior Period.
- Generated quarterly adjusted funds flow of $217.1 million, or $0.82 per basic common share, both of which increased by 12% from the three month Comparable Prior Period. Cash flow from operating activities was $224.4 million, a 14% increase from the three month Comparable Prior Period.

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(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.

- Delivered quarterly free funds flow of $110.3 million, or $0.41 per basic common share, a 30% and 32% decrease, respectively, from the three month Comparable Prior Period.
- Earned quarterly net income to common shareholders of $69.5 million, or $0.26 per basic common share, both of which decreased by 35% from the three month Comparable Prior Period.
- Achieved an operating netback of $29.35/boe and adjusted funds flow per boe of $29.57, a 7% and 11% increase, respectively, from the three month Comparable Prior Period.
- Realized an operating expense of $4.06/boe, a 16% increase from the three month Comparable Prior Period.
- F&D capital expenditures were $106.8 million in the three month Reporting Period.
- Returned $61.3 million to common shareholders in the three month Reporting Period through dividends and purchases under the Corporation's normal course issuer bid, including the payment of a special dividend of $0.20 per common share for an aggregate of approximately $53.2 million and the purchase of 300,000 common shares at an average price of $9.30 per share (before fees).

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

2023 GUIDANCE

Birchcliff remains committed to the payment of its annual base dividend of $0.80 per common share(5), maintaining capital discipline and generating free funds flow in 2023. As a result of the recent weakness and volatility in natural gas prices and the potential for weakness in summer natural gas prices, Birchcliff has decided to slow the rate of its 2023 capital program by moving the drilling of 9 (9.0 net) wells to Q3 2023 that were originally scheduled to be drilled in Q2 2023. These wells are now anticipated to be brought on production in Q4 2023 (originally scheduled for Q3 2023), which is expected to result in strong production in Q4 2023 and Q1 2024, when commodity prices are forecast to be significantly higher. Birchcliff's F&D capital expenditures for 2023 are still forecast to be in the range of $260 million to $280 million.

Birchcliff's significant ownership and operatorship of its assets gives it a strong competitive advantage, providing it with the flexibility to actively manage its capital program in response to changing economic conditions in order to protect its strong financial position and base common share dividend. The Corporation will continue to closely monitor commodity prices and, where deemed prudent, make further adjustments to its 2023 capital program, giving consideration to increasing or decreasing its rate of drilling and capital investment depending on commodity prices. Birchcliff is taking a conservative approach to capital investment in 2023 as a result of the significant ongoing volatility in natural gas prices.

With respect to production, Birchcliff is reducing its annual average production guidance for 2023 to reflect the impact of an unexpected outage on Pembina Pipeline Corporation's Northern Pipeline system, which resulted in an unplanned outage impacting a substantial portion of the volumes on the system, including the Corporation's NGLs volumes (see Birchcliff's press release dated March 15, 2023). Birchcliff's revised production guidance for 2023 also reflects the 9 wells coming on production later in 2023 than previously planned and other forecast adjustments. Annual average production in 2023 is currently expected to be in the range of 77,000 to 80,000 boe/d (as compared to Birchcliff's previous guidance of 81,000 to 83,000 boe/d).

Birchcliff is reaffirming its 2023 annual base common share dividend amount and its 2023 guidance for F&D capital expenditures. The Corporation is updating certain items of its 2023 guidance to reflect its revised production guidance and a lower commodity price forecast for 2023.

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(5) This annual base dividend is expected to be declared and paid quarterly at the rate of $0.20 per common share. Other than the dividend declared for the quarter ending March 31, 2023, the declaration of dividends is subject to the approval of the Board and is subject to change. See *"Advisories – Forward-Looking Statements"* in this MD&A.

The following table sets forth Birchcliff's updated and previous guidance and commodity price assumptions for 2023, its 2022 actual audited results and 2022 guidance for comparative purposes, as well as its free funds flow sensitivity for 2023:

	Updated 2023 guidance and assumptions – March 15, 2023[1]	Previous 2023 guidance and assumptions – January 18, 2023	2022 actual results	2022 revised guidance and assumptions – October 13, 2022
Production				
Annual average production *(boe/d)*	77,000 – 80,000	81,000 – 83,000	76,925	78,000
% Light oil	3%	3%	3%	3%
% Condensate	7%	7%	6%	6%
% NGLs	9%	10%	10%	10%
% Natural gas	81%	80%	81%	81%
Q4 average production *(boe/d)*	-	-	79,799	81,000 – 83,000
Average Expenses *($/boe)*				
Royalty[2]	4.25 – 4.45	4.25 – 4.45	5.74	6.70 – 6.80
Operating[2]	3.55 – 3.75	3.45 – 3.65	3.62	3.40 – 3.50
Transportation and other[3]	5.25 – 5.45	5.20 – 5.40	5.52	5.40 – 5.50
Interest[2]	-	-	0.49	0.40 – 0.50
Adjusted Funds Flow *(millions)*[4]	$475	$570	$953.7	$1,020
F&D Capital Expenditures *(millions)*	$260 – $280	$260 – $280	$364.6	$355 – $365
Free Funds Flow *(millions)*[4]	$195 – $215	$290 – $310	$589.1	$655 – $665
Annual Base Dividend *(millions)*	$213[5]	$213	$71.8	$72
Excess Free Funds Flow *(millions)*[4]	($18) – $2[5]	$77 – $97	$517.3	$585 – $595
Total Debt at Year End *(millions)*[6]	$145 – $165[7]	$50 – $70	$138.5	$60 – $70
Natural Gas Market Exposure				
AECO exposure as a % of total natural gas production	17%[8]	17%	12%	15%
Dawn exposure as a % of total natural gas production	41%[8]	41%	43%	42%
NYMEX HH exposure as a % of total natural gas production	36%[8]	36%	7%	38%
Alliance exposure as a % of total natural gas production	6%[8]	6%	38%	5%
Commodity Prices				
Average WTI price *(US$/bbl)*	78.50[9]	76.00	94.31	95.00
Average WTI-MSW differential *(CDN$/bbl)*	3.25[9]	4.75	2.42	2.50
Average AECO price *(CDN$/GJ)*	3.00[9]	3.30	5.04	5.25
Average Dawn price *(US$/MMBtu)*	3.05[9]	3.55	6.04	6.35
Average NYMEX HH price *(US$/MMBtu)*	3.50[9]	3.85	6.64	6.85
Exchange rate *(CDN$ to US$1)*	1.35[9]	1.34	1.3004	1.30

Forward ten months' free funds flow sensitivity[10]	**Estimated change to 2023 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$4.5
Change in NYMEX HH US$0.10/MMBtu	$5.8
Change in Dawn US$0.10/MMBtu	$7.1
Change in AECO CDN$0.10/GJ	$3.4
Change in CDN/US exchange rate CDN$0.01	$5.1

(1) Birchcliff's updated guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, total debt and natural gas market exposure in 2023 is based on an annual average production rate of 78,500 boe/d in 2023, which is the mid-point of Birchcliff's updated annual average production guidance range for 2023. Birchcliff's updated guidance for its free funds flow, excess free funds flow and total debt in 2023 is based on F&D capital expenditures of approximately $270 million in 2023, which is the mid-point of the Corporation's F&D capital expenditures guidance range for 2023. Birchcliff has not disclosed guidance for its 2023 Q4 average production or interest expense per boe. 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) Assumes that an annual base dividend of $0.80 per common share is paid and that there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid. Other than the dividend declared for the quarter ending March 31, 2023, the declaration of dividends is subject to the approval of the Board and is subject to change.

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

(7) The forecast of total debt at December 31, 2023 is expected to be comprised of any amounts outstanding under the Corporation's extendible revolving term credit facilities (the "**Credit Facilities**") plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the year.

(8) Birchcliff's natural gas market exposure for 2023 takes into account its physical and financial basis swap contracts outstanding as at March 14, 2023.

(9) Birchcliff's updated commodity price and exchange rate assumptions for 2023 are based on the settled benchmark commodity prices and CDN/US exchange rate for January and February 2023 and the forward strip benchmark commodity prices and CDN/US exchange rate from March 2023 to December 2023 as of March 3, 2023.

(10) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2023, 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.

Comparison of 2022 Actual Results to 2022 Revised Guidance

Birchcliff's 2022 annual and Q4 average production was 76,925 boe/d and 79,799 boe/d, respectively, both of which were 1% below its 2022 annual average production guidance and the low end of its Q4 average production guidance.

Birchcliff's 2022 royalty expense per boe, adjusted funds flow, free funds flow and excess free funds flow were lower than its guidance and Birchcliff's total debt was above its guidance, all primarily due to lower than anticipated annual average benchmark natural gas prices. Birchcliff's operating expense per boe and transportation and other expense per boe were both slightly above its guidance, primarily due to lower than anticipated annual average production.

F&D capital expenditures and interest expense per boe in 2022 were in line with Birchcliff's guidance.

SELECTED ANNUAL INFORMATION

The following table sets forth a summary of the Corporation's annual results for the three most recently completed financial years:

	2022	2021	2020
Average production			
Light oil *(bbls/d)*	2,223	2,899	4,415
Condensate *(bbls/d)*	4,679	5,715	5,824
NGLs *(bbls/d)*	7,471	7,705	7,650
Natural gas *(Mcf/d)*	375,315	373,217	351,068
Total *(boe/d)*	76,925	78,520	76,401
Average realized sales price *($)*(1)(2)			
Light oil *(per bbl)*	119.78	79.24	42.39
Condensate *(per bbl)*	122.27	85.65	48.03
NGLs *(per bbl)*	41.09	30.54	13.62
Natural gas *(per Mcf)*	6.73	4.29	2.49
Total *(per boe)*	47.73	32.53	18.90
Cash flow from operating activities *($000s)*	925,275	515,369	188,180
Adjusted funds flow *($000s)*(3)	953,683	539,733	184,526
Per basic common share *($)*(4)	3.59	2.03	0.69
Free funds flow *($000s)*(3)	589,062	309,254	(103,441)
Per basic common share *($)*(4)	2.22	1.16	(0.39)
Net income (loss) *($000s)*	656,831	314,676	(57,821)
Net income (loss) to common shareholders *($000s)*	653,682	310,489	(62,008)
Per basic common share *($)*	2.46	1.17	(0.23)
Petroleum and natural gas revenue *($000s)*(1)	1,340,180	932,406	528,505
F&D capital expenditures *($000s)*(5)	364,621	230,479	287,967
Total capital expenditures *($000s)*(3)	368,230	232,480	276,785
Operating expense *($/boe)*(2)	3.62	3.19	2.95
Total assets *($000s)*	3,169,365	2,959,967	2,902,043
Revolving term credit facilities *($000s)*	131,981	500,870	731,372
Total debt *($000s)*(6)	138,549	499,397	761,951
End of period basic common shares *(000s)*	266,047	264,790	265,943
Weighted average basic common shares *(000s)*	265,548	265,990	265,936
End of period Series A Preferred Shares *(000s)*	-	2,000	2,000
End of period Series C Preferred Shares *(000s)*	-	1,531	1,597
Dividends on common shares *($000s)*	71,788	6,639	10,968
Per common share *($)*	0.2700	0.0250	0.0413
Dividends on Series A Preferred Shares *($000s)*	3,149	4,187	4,187
Per Series A Preferred Share *($)*	1.5744	2.0935	2.0935
Dividends on Series C Preferred Shares *($000s)*	2,013	2,718	3,467
Per Series C Preferred Share *($)*	1.3161	1.7500	1.7500

(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) 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.

(5) See *"Advisories"* in this MD&A.

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

Annual average production in 2022 was comparable to the prior two years. Annual average production in each year was positively impacted by incremental production volumes from new Montney/Doig light oil and liquids-rich natural gas wells brought on production and negatively impacted by natural production declines. The decrease in the Corporation's liquids production from the prior two years was primarily due to the Corporation specifically targeting natural gas wells in liquids-rich zones in Pouce Coupe in 2022, natural production declines from light oil and liquids-rich natural gas wells brought on-stream in 2021 and 2020 and the major scheduled turnaround at AltaGas' deep-cut sour gas processing facility (the "**AltaGas Facility**") in the second quarter of 2022, which resulted in lower liquids being produced in the Gordondale area.

Cash flow from operating activities and adjusted funds flow increased substantially from the prior two years primarily due to higher reported petroleum and natural gas revenue, partially offset by a higher royalty expense, both of which were largely impacted by a 47% and 153% increase in the average realized sales price received for Birchcliff's production in 2022 as compared to 2021 and 2020, respectively. Birchcliff's 2022 average realized sales price benefited from increases in benchmark oil and natural gas prices in 2022. Birchcliff's cash flow from operating activities and adjusted funds flow were also positively impacted by a realized gain on financial instruments of $80.7 million in 2022 as compared to a realized loss on financial instruments of $21.5 million and $59.7 million in 2021 and 2020, respectively.

Free funds flow in 2022 increased substantially from the prior two years primarily due to higher adjusted funds flow, partially offset by higher F&D capital expenditures in 2022 as compared to 2021 and 2020.

Birchcliff earned net income to common shareholders of $653.7 million ($2.46 per basic common share) in 2022, as compared to net income to common shareholders of $310.5 million ($1.17 per basic common share) in 2021 and net loss to common shareholders of $62.0 million ($0.23 per basic common share) in 2020. The increase in net income to common shareholders was primarily due to higher adjusted funds flow and an unrealized mark-to-market gain on financial instruments largely resulting from the changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts, partially offset by a higher income tax expense in 2022. Birchcliff recorded an unrealized mark-to-market gain on financial instruments of $131.0 million in 2022 as compared to an unrealized mark-to-market gain on financial instruments of $84.2 million in 2021 and an unrealized mark-to-market loss on financial instruments of $35.4 million in 2020.

F&D capital expenditures in 2022 were higher than the prior two years. The Corporation's F&D capital expenditures fluctuate each year based on: (i) the Corporation's outlook for commodity prices and market conditions; and (ii) the level of drilling and completions operations and other capital projects and the timing and cost thereof. Capital expenditures in the last three years were largely directed towards: (i) the drilling and completions of horizontal light oil and liquids-rich natural gas wells in Gordondale and Pouce Coupe; and (ii) the addition of the inlet-liquids handling facility at the Corporation's 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**"), which was completed in the third quarter of 2020.

Operating expense on a per boe basis in 2022 increased from the prior two years primarily due to inflationary pressures on power prices and fuel, chemicals and lubricants costs used in Birchcliff's field operations and higher field labour costs.

Total debt at December 31, 2022 decreased substantially from the prior two years primarily due to the significant free funds flow generated in 2022 and 2021, which was largely allocated towards debt reduction due to the Corporation's continued focus on reducing its indebtedness. See "*Capital Resources and Liquidity*" in this MD&A.

Common share dividend distributions in 2022 increased substantially from the prior two years primarily due to the Corporation paying a special dividend of $0.20 per common share in the fourth quarter of 2022. See *"Dividends"* in this MD&A.

Birchcliff redeemed all of its issued and outstanding Series A and Series C Preferred Shares in 2022 for an aggregate redemption value of $88.2 million. See "*Share Information"* in this MD&A for further information.

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 December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Cash flow from operating activities *($000s)*	**224,447**	**196,142**	**925,275**	**515,369**
Adjusted funds flow *($000s)*(1)	**217,099**	**193,649**	**953,683**	**539,733**
Per basic common share *($)*(2)	0.82	0.73	3.59	2.03
Per diluted common share *($)*(2)	0.79	0.70	3.47	1.97
Adjusted funds flow per boe *($)*(2)	29.57	26.74	33.97	18.83

(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.

Cash flow from operating activities increased by 14% and 80% from the three and twelve month Comparable Prior Periods, respectively. Adjusted funds flow increased by 12% and 77% from the three and twelve month Comparable Prior Periods, respectively. The increases were primarily due to higher petroleum and natural gas revenue, partially offset by a higher royalty expense, both of which were largely impacted by a 9% and 47% increase in the average realized sales price received for Birchcliff's production in the three and twelve month Reporting Periods, respectively, as compared to the Comparable Prior Periods. The Corporation's average realized sales price in the Reporting Periods benefited from increases in benchmark oil and natural gas prices as compared to the Comparable Prior Periods. Birchcliff's cash flow from operating activities and adjusted funds flow were also positively impacted by realized gains on financial instruments of $18.8 million and $80.7 million in the three and twelve month Reporting Periods, respectively, as compared to a realized gain on financial instruments of $9.9 million in the three month Comparable Prior Period and a realized loss on financial instruments of $21.5 million in the twelve month Comparable Prior Period.

See *"Discussion of Operations"* 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 December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Net income to common shareholders *($000s)*	**69,453**	**106,102**	**653,682**	**310,489**
Per basic common share *($)*	0.26	0.40	2.46	1.17
Per diluted common share *($)*	0.25	0.38	2.38	1.13
Net income to common shareholders per boe *($)*(1)	9.46	14.65	23.28	10.83

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

Net income to common shareholders in the three month Reporting Period decreased by 35% from the Comparable Prior Period. The decrease was primarily due to an unrealized mark-to-market loss on financial instruments due to changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts, partially offset by higher adjusted funds flow and a lower deferred income tax expense in the three month Reporting Period. Birchcliff recorded an unrealized mark-to-market loss on financial instruments of $61.0 million in the three month Reporting Period as compared to a negligible unrealized mark-to-market gain on financial instruments in the Comparable Prior Period.

Net income to common shareholders in the twelve month Reporting Period increased by 111% from the Comparable Prior Period. The increase was primarily due to higher adjusted funds flow and an increase in the unrealized mark-to-market gain on financial instruments due to changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts, partially offset by a higher deferred income tax expense in the twelve month Reporting Period. Birchcliff recorded an unrealized mark-to-market gain on financial instruments of $131.0 million in the twelve month Reporting Period as compared to $84.2 million in the Comparable Prior Period.

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

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

The following table sets forth Birchcliff's P&NG revenue by product category for the Corporation's Pouce Coupe operating assets geologically situated in the dry natural gas and liquids-rich 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:

($000s)	Pouce Coupe assets	Gordondale assets	Corporate[1]	Pouce Coupe assets	Gordondale assets	Corporate[1]
			Three months ended December 31, 2022			**Three months ended December 31, 2021**
Light oil	236	25,325	25,588	183	22,032	22,231
Condensate	34,129	16,537	50,712	32,776	15,601	48,377
NGLs	7,705	18,501	26,224	7,064	19,571	26,635
Natural gas	159,479	58,081	217,822	137,876	54,676	192,553
P&NG sales[2]	201,549	118,444	320,346	177,899	111,880	289,796
Royalty income	1	5	12	1	1	10
P&NG revenue	**201,550**	**118,449**	**320,358**	**177,900**	**111,881**	**289,806**
% of corporate P&NG revenue	**63%**	**37%**		**61%**	**39%**	
			Twelve months ended December 31, 2022			**Twelve months ended December 31, 2021**
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[1]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[1]**
Light oil	870	96,208	97,185	618	83,145	83,836
Condensate	140,741	67,897	208,828	123,979	54,672	178,651
NGLs	36,272	75,722	112,049	23,983	61,908	85,891
Natural gas	689,102	231,964	922,060	419,668	164,316	583,991
P&NG sales[2]	866,985	471,791	1,340,122	568,248	364,041	932,369
Royalty income	6	12	58	5	7	37
P&NG revenue	**866,991**	**471,803**	**1,340,180**	**568,253**	**364,048**	**932,406**
% 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 11% and 44% from the three and twelve month Comparable Prior Periods, respectively. The increases were primarily due to a $25.3 million (13%) and $338.1 million (58%) increase in natural gas revenue from the three and twelve month Comparable Prior Periods, respectively, that largely resulted from a higher average realized natural gas sales price and increased natural gas production in the Reporting Periods. The details regarding the period-over-period movement in Birchcliff's production and the average realized sales price received for its natural gas production are discussed below.

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 December 31, 2022			Three months ended December 31, 2021		
	Pouce Coupe assets	**Gordondale assets**	**Corporate[(1)]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[(1)]**
Light oil *(bbls/d)*	23	2,388	2,413	21	2,581	2,604
Condensate *(bbls/d)*	3,236	1,581	4,822	3,574	1,755	5,330
NGLs *(bbls/d)*	1,669	6,292	7,963	1,511	6,059	7,570
Natural gas *(Mcf/d)*	281,836	105,353	387,604	268,607	110,670	379,275
Production *(boe/d)*	**51,901**	**27,820**	**79,799**	**49,875**	**28,840**	**78,716**
Liquids-to-gas ratio *(bbls/MMcf)*	**17.5**	**97.4**	**39.2**	**19.0**	**93.9**	**40.9**
% of corporate production	**65%**	**35%**		**63%**	**37%**	
	Twelve months ended December 31, 2022			**Twelve months ended December 31, 2021**		
	Pouce Coupe assets	**Gordondale assets**	**Corporate[(1)]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[(1)]**
Light oil *(bbls/d)*	20	2,201	2,223	21	2,875	2,899
Condensate *(bbls/d)*	3,130	1,545	4,679	3,984	1,731	5,715
NGLs *(bbls/d)*	1,774	5,695	7,471	1,750	5,954	7,705
Natural gas *(Mcf/d)*	277,764	97,135	375,315	265,620	107,591	373,217
Production *(boe/d)*	**51,217**	**25,631**	**76,925**	**50,025**	**28,492**	**78,520**
Liquids-to-gas ratio *(bbls/MMcf)*	**17.7**	**97.2**	**38.3**	**21.7**	**98.2**	**43.7**
% 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 in the three month Reporting Period increased by 1% from the Comparable Prior Period. In the twelve month Reporting Period, Birchcliff's corporate production decreased by 2% from the Comparable Prior Period.

Birchcliff's production in the three month Reporting Period was positively impacted by incremental production volumes from the 9 (9.0 net) wells on its 06-35 pad that were brought on production in Gordondale in late September 2022 and 4 (4.0 net) wells on its 03-06 pad that were brought on production in Pouce Coupe in December 2022, partially offset by natural production declines.

Birchcliff's production in the twelve month Reporting Period was negatively impacted by: (i) natural production declines; (ii) a major scheduled turnaround in the second quarter of 2022 at the AltaGas Facility that decreased annual average production in Gordondale by approximately 900 boe/d; and (iii) the timing of new wells brought on production in the twelve month Reporting Period as compared to the Comparable Prior Period, which resulted from scheduling differences in Birchcliff's drilling and completions program year-over-year. Birchcliff's production in the twelve month Reporting Period was positively impacted by incremental production volumes from the 39 new Montney/Doig light oil and liquids-rich natural gas wells brought on production in 2022.

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 December 31, 2022			Three months ended December 31, 2021	
	Pouce Coupe assets	Gordondale assets	Corporate[(1)]	Pouce Coupe assets	Gordondale assets	Corporate[(1)]
% Light oil production	-	9	3	-	9	3
% Condensate production	6	6	6	7	6	7
% NGLs production	3	22	10	3	21	10
% Natural gas production	91	63	81	90	64	80
		Twelve months ended December 31, 2022			Twelve months ended December 31, 2021	
	Pouce Coupe assets	Gordondale assets	Corporate[(1)]	Pouce Coupe assets	Gordondale asset	Corporate[(1)]
% Light oil production	-	9	3	-	10	4
% Condensate production	6	6	6	9	6	7
% NGLs production	4	22	10	3	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 both the three and twelve month Reporting Periods as compared to 20% and 21% in the three and twelve month Comparable Prior Periods, respectively. Birchcliff's liquids-to-gas ratio in the three and twelve month Reporting Periods was 39.2 bbls/MMcf and 38.3 bbls/MMcf, respectively (48% high-value light oil and condensate in both periods). Liquids production weighting decreased in the Reporting Periods from the Comparable Prior Periods primarily due to: (i) the Corporation specifically targeting horizontal natural gas wells in liquids-rich zones in the Pouce Coupe area; and (ii) natural production declines from light oil and liquids-rich natural gas wells producing since December 31, 2021. Liquids production in the twelve month Reporting Period was also negatively impacted by the AltaGas Facility turnaround in the second quarter of 2022, which resulted in lower liquids being produced in the Gordondale area.

Commodity Prices

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

			Three months ended December 31,			Twelve months ended December 31,
	2022	2021	% Change	2022	2021	% Change
Light oil – WTI Cushing *(US$/bbl)*	82.64	79.78	4	94.31	68.70	37
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	110.18	96.12	15	119.95	80.67	49
Natural gas – NYMEX HH *(US$/MMBtu)*	6.26	5.83	7	6.64	3.88	71
Natural gas – AECO 5A Daily *(CDN$/GJ)*	4.85	4.41	10	5.04	3.44	47
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	4.11	3.93	5	4.28	2.84	51
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	5.16	4.65	11	6.04	3.62	67
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.53	4.74	(4)	5.14	4.03	28
Exchange rate *(CDN$ to US$1)*	1.3573	1.2598	8	1.3004	1.2537	4
Exchange rate *(US$ to CDN$1)*	0.7368	0.7938	(8)	0.7690	0.7976	(4)

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 5A production to NYMEX HH-based pricing, predominantly on a financial basis, with various terms ending no later than December 31, 2027. Birchcliff had 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.

The average realized sales price 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. These index prices can fluctuate due to a number of factors, including, but not limited to, local, regional and global oil supply and demand fundamentals, North American refinery utilization rates, changing demographics, economic activity, inventory levels and pipeline infrastructure capacity connecting key oil consuming domestic and export markets. The WTI benchmark oil index price increased from the Comparable Prior Periods primarily due to the continued global recovery from the COVID-19 pandemic (with the exception of China) and geopolitical tensions arising from the Russian invasion of Ukraine that resulted in increased demand for North American crude oil in the Reporting Periods, partially offset by crude oil releases from US Strategic Petroleum Reserves.

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 activity, 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 completions rates and efficiencies in extracting natural gas from North American natural gas basins. Natural gas benchmark prices increased from the Comparable Prior Periods predominantly due to higher weather-related domestic and global demand for natural gas and increased US LNG export demand resulting from geopolitical tensions arising from the Russian invasion of Ukraine, partially offset by a major outage at the Freeport US LNG export facility that began in June 2022 and was still ongoing in the first quarter of 2023, which accounts for approximately 20% of the LNG export capacity in North America.

Significant volatility in benchmark oil and natural gas prices persisted throughout the Reporting Periods primarily due to supply and demand uncertainty attributed to regional impacts of the ongoing restrictions and lockdowns in China resulting 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 increased inflationary pressures on global economies.

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 December 31,			Twelve months ended December 31,		
	2022	**2021**	**% Change**	**2022**	**2021**	**% Change**
Light oil *($/bbl)*	115.24	92.79	24	119.78	79.24	51
Condensate *($/bbl)*	114.32	98.66	16	122.27	85.65	43
NGLs *($/bbl)*	35.80	38.24	(6)	41.09	30.54	35
Natural gas *($/Mcf)*	6.11	5.52	11	6.73	4.29	57
Average realized sales price *($/boe)*[(1)(2)]	**43.63**	**40.02**	**9**	**47.73**	**32.53**	**47**

(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 9% and 47% from the three and twelve month Comparable Prior Periods, respectively, primarily due to 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 December 31, 2022					**Three months ended December 31, 2021**
Natural gas markets	**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	101,194	46	208,042	53	5.31	85,230	44	185,870	49	4.98
Dawn	106,494	49	161,671	42	7.16	88,932	46	156,618	41	6.17
Alliance[(3)]	10,134	5	17,891	5	6.16	18,391	10	36,787	10	5.43
Total	**217,822**	**100**	**387,604**	**100**	**6.11**	**192,553**	**100**	**379,275**	**100**	**5.52**
					Twelve months ended December 31, 2022					**Twelve months ended December 31, 2021**
Natural gas markets	**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	388,167	42	189,311	50	5.66	234,229	40	163,418	44	3.92
Dawn	479,726	52	160,837	43	8.17	274,381	47	158,712	43	4.74
Alliance[(3)]	54,166	6	25,167	7	5.90	75,381	13	51,087	13	4.04
Total	**922,059**	**100**	**375,315**	**100**	**6.73**	**583,991**	**100**	**373,217**	**100**	**4.29**

(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 has authorized the Corporation to execute a risk management strategy whereby Birchcliff is authorized, subject to compliance with the agreement governing the Corporation's Credit Facilities, to enter into agreements and financial or physical transactions with one or more counterparties from time to time that are intended to reduce the risk to the Corporation from volatility in future commodity prices, foreign exchange rates and/or interest rates.

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position on a mark-to-market fair value basis at December 31, 2022, with the changes in fair value being recognized as a non-cash unrealized gain or loss in profit or loss and realized upon settlement. These contracts are not entered into for trading or speculative purposes.

Birchcliff's average notional quantity and contract price for its financial NYMEX HH/AECO 7A basis swap contracts outstanding at December 31, 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	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)]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu
Natural gas	AECO 7A basis swap[(2)]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/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 December 31, 2022 to manage commodity price risk:

Product	Type of Contract	Average Notional Quantity	Period[(1)]	Average Contract Price
Natural gas	AECO 7A basis swap[(2)]	40,000	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.989/MMBtu

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

(2) 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 December 31, 2022, the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap[(1)]	5,000 MMBtu/d	Jan. 1, 2023 – 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 December 31, 2022 to manage commodity price risk.

Interest Rate Risk

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

At December 31, 2022, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term[(1)]	Notional Value	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR[(2)]	Jan. 1, 2023 – 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 December 31, 2022 to manage interest rate risk.

Realized and Unrealized Gains and Losses on Financial Instruments

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

	Three months ended December 31,				Twelve months ended December 31,			
	2022		2021		2022		2021	
	($000s)	*($/boe)*[(1)]	*($000s)*	*($/boe)*[(1)]	*($000s)*	*($/boe)*[(1)]	*($000s)*	*($/boe)*[(1)]
Realized gain (loss)	18,764	2.57	9,908	1.37	80,742	2.88	(21,451)	(0.75)
Unrealized gain (loss)	(61,013)	(8.31)	29	-	131,042	4.67	84,242	2.94

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

Birchcliff's realized gains and losses on financial instruments were primarily impacted by the settlement of the NYMEX HH/AECO 7A basis swap contracts during the Reporting Periods and Comparable Prior Periods.

The Corporation records a realized gain on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price (the average spread between NYMEX HH and AECO 7A) of the contracted volume is higher than the average contract price in the period. Conversely, the Corporation records a realized loss on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price of the contracted volume is lower than the average contract price in the period. The average contract volume and price for Birchcliff's NYMEX HH/AECO 7A basis swap contracts were 147,500 MMbtu/d and US$1.227/MMbtu, respectively, during the Reporting Periods and Comparable Prior Periods. The average realized settlement price of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the three and twelve month Reporting Periods was US$2.14/MMBtu and US$2.36/MMBtu, respectively, as compared to US$1.90/MMBtu and US$1.04/MMBtu during the Comparable Prior Periods.

The unrealized loss on financial instruments of $61.0 million in the three month Reporting Period resulted from a decrease in the fair value net asset position to $47.2 million at December 31, 2022 from the fair value net asset position of $108.2 million at September 30, 2022. The decrease in the fair value of the Corporation's financial instruments was primarily due to the decrease (or tightening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at December 31, 2022 as compared to the fair value previously assessed at September 30, 2022. The unrealized gain on financial instruments of $131.0 million in the twelve month Reporting Period resulted from the change to a fair value net asset position to $47.2 million at December 31, 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 twelve month Reporting Period 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 December 31, 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 during the twelve month Reporting Period.

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

Royalties

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

	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Royalty expense *($000s)*[(1)]	**35,679**	**28,452**	**161,226**	**76,271**
Royalty expense per boe *($)*[(2)]	**4.86**	**3.93**	**5.74**	**2.66**
Effective royalty rate *(%)*[(2)(3)]	11%	10%	12%	8%

(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 24% and 116% from the three and twelve month Comparable Prior Periods, respectively, primarily due to a higher average realized sales price received for Birchcliff's 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 December 31,		Twelve months ended December 31,	
($000s)	**2022**	**2021**	**2022**	**2021**
Field operating expense	30,952	26,208	106,203	96,533
Recoveries	(1,169)	(893)	(4,622)	(5,018)
Operating expense	**29,783**	**25,315**	**101,581**	**91,515**
Operating expense per boe[(1)]	**$4.06**	**$3.50**	**$3.62**	**$3.19**

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

Operating expense per boe increased by 16% and 13% from the three and twelve month Comparable Prior Periods, respectively, primarily due to: (i) inflationary pressures on power prices and fuel, chemicals and lubricant costs used in Birchcliff's field operations, which together increased by 61% and 42% on a per boe basis in the three and twelve month Reporting Periods, respectively; and (ii) higher field labour costs. Operating expense per boe in the three month Reporting Period was also negatively impacted by higher natural gas processing costs at the AltaGas Facility due to incremental production coming on-stream in the Reporting Period.

Transportation and Other

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

	Three months ended December 31,		Twelve months ended December 31,	
($000s)	**2022**	**2021**	**2022**	**2021**
Natural gas transportation	28,277	28,288	115,833	114,607
Liquids transportation	8,118	7,194	29,639	28,212
Fractionation	2,298	1,942	10,222	8,285
Other fees	100	30	170	159
Transportation expense	38,793	37,454	155,864	151,263
Transportation expense per boe(1)	$5.29	$5.17	$5.55	$5.28
Marketing purchases(2)	9,529	5,413	17,866	18,034
Marketing revenue(2)	(8,916)	(6,169)	(18,806)	(20,722)
Marketing loss (gain) (3)	613	(756)	(940)	(2,688)
Marketing loss (gain) per boe(4)	$0.08	($0.11)	($0.03)	($0.10)
Transportation and other expense(3)	**39,406**	**36,698**	**154,924**	**148,575**
Transportation and other expense per boe(4)	**$5.37**	**$5.06**	**$5.52**	**$5.18**

(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 sale 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.

Transportation and other expense per boe increased by 6% and 7% from the three and twelve month Comparable Prior Periods, respectively, primarily due to higher liquids-handling costs and third-party fractionation processing fees that resulted from inflationary pressures, partially offset by lower liquids pipeline tariffs. Transportation and other expense per boe in the twelve month Reporting Period was also negatively impacted by increased take-or-pay fractionation fees and higher NGTL tolling charges for natural gas deliveries.

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 December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Pouce Coupe assets				
Average production				
Light oil *(bbls/d)*	23	21	20	21
Condensate *(bbls/d)*	3,236	3,574	3,130	3,984
NGLs *(bbls/d)*	1,669	1,511	1,774	1,750
Natural gas *(Mcf/d)*	281,836	268,607	277,764	265,620
Total *(boe/d)*	**51,901**	**49,875**	**51,217**	**50,025**
% of corporate production	**65%**	**63%**	**67%**	**64%**
Liquids-to-gas ratio *(bbls/MMcf)*	**17.5**	**19.0**	**17.7**	**21.7**
Netback and cost ($/boe)(1)				
Petroleum and natural gas revenue(2)	42.21	38.77	46.38	31.12
Royalty expense	(4.42)	(3.21)	(4.65)	(2.12)
Operating expense	(3.38)	(2.81)	(2.89)	(2.47)
Transportation and other expense(3)	(5.32)	(5.24)	(5.48)	(5.43)
Operating netback(3)	**29.09**	**27.51**	**33.36**	**21.10**
Gordondale assets				
Average production				
Light oil *(bbls/d)*	2,388	2,581	2,201	2,875
Condensate *(bbls/d)*	1,581	1,755	1,545	1,731
NGLs *(bbls/d)*	6,292	6,059	5,695	5,954
Natural gas *(Mcf/d)*	105,353	110,670	97,135	107,591
Total *(boe/d)*	**27,820**	**28,840**	**25,631**	**28,492**
% of corporate production	**35%**	**37%**	**33%**	**36%**
Liquids-to-gas ratio *(bbls/MMcf)*	**97.4**	**93.9**	**97.2**	**98.2**
Netback and cost ($/boe)(1)				
Petroleum and natural gas revenue(2)	46.28	42.17	50.43	35.01
Royalty expense	(5.69)	(5.18)	(7.93)	(3.61)
Operating expense	(5.31)	(4.67)	(5.02)	(4.44)
Transportation and other expense(3)	(5.45)	(4.77)	(5.60)	(4.75)
Operating netback(3)	**29.83**	**27.55**	**31.88**	**22.21**
Corporate(4)				
Average production				
Light oil *(bbls/d)*	2,413	2,604	2,223	2,899
Condensate *(bbls/d)*	4,822	5,330	4,679	5,715
NGLs *(bbls/d)*	7,963	7,570	7,471	7,705
Natural gas *(Mcf/d)*	387,604	379,275	375,315	373,217
Total *(boe/d)*	**79,799**	**78,716**	**76,925**	**78,520**
Liquids-to-gas ratio *(bbls/MMcf)*	**39.2**	**40.9**	**38.3**	**43.7**
Netback and cost ($/boe)(1)				
Petroleum and natural gas revenue(2)	43.64	40.02	47.73	32.53
Royalty expense	(4.86)	(3.93)	(5.74)	(2.66)
Operating expense	(4.06)	(3.50)	(3.62)	(3.19)
Transportation and other expense(3)	(5.37)	(5.06)	(5.52)	(5.18)
Operating netback(3)	**29.35**	**27.53**	**32.85**	**21.50**

(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 increased by 4% and 2% from the three and twelve month Comparable Prior Periods, respectively. The increases in the Reporting Periods were primarily due to incremental production volumes from the new natural gas wells brought on production in the Pouce Coupe area since the three and twelve month Comparable Prior Periods, partially offset by natural production declines.

Birchcliff’s liquids-to-gas ratio for the Pouce Coupe assets decreased by 8% and 18% from the three and twelve month Comparable Prior Periods, respectively. The decreases were primarily due to the Corporation specifically targeting natural gas wells with lower liquids yields in the Pouce Coupe area in the Reporting Periods and natural production declines from liquids-rich natural gas wells producing in Pouce Coupe since December 31, 2021.

Birchcliff’s operating netback for the Pouce Coupe assets increased by 6% and 58% from the three and twelve month Comparable Prior Periods, respectively. The increases were 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 increases in the average realized sales price received for Birchcliff’s Pouce Coupe production in the Reporting Periods. Birchcliff’s operating netback in Pouce Coupe was negatively impacted by higher operating expense per boe as a result of inflationary pressures on power prices and fuel, chemicals and lubricants costs used in Birchcliff’s field operations and higher field labour costs.

Gordondale Assets

Birchcliff’s production from the Gordondale assets decreased by 4% and 10% from the three and twelve month Comparable Prior Periods, respectively. The decreases in the Reporting Periods were primarily due to: (i) natural production declines; (ii) a major scheduled turnaround in the second quarter of 2022 at the AltaGas Facility that negatively impacted annual average production in Gordondale by approximately 900 boe/d; and (iii) 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. Production in Gordondale was positively impacted by incremental production volumes from its 9 light oil wells on its 06-35 pad brought on production in the area in late September 2022.

Birchcliff’s liquids-to-gas ratio for the Gordondale assets increased by 4% from the three month Comparable Prior Period and decreased by 1% from the twelve month Comparable Prior Period. The increase in the three month Reporting Period was primarily due to incremental production volumes from the 06-35 pad brought on production in Gordondale in late September 2022. The decrease in the twelve month Reporting Period was primarily due to natural production declines from light oil and liquids-rich natural gas wells producing since December 31, 2021.

Birchcliff’s operating netback for the Gordondale assets increased by 8% and 44% from the three and twelve month Comparable Prior Periods, respectively. The increases were 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 increases in the average realized sales price received for Birchcliff’s Gordondale production in the Reporting Periods. Birchcliff’s operating netback in Gordondale was negatively impacted by higher per boe operating expense and transportation and other expense. Operating expense per boe in Gordondale increased as a result of: (i) inflationary pressures on power prices and fuel, chemicals and lubricants costs used in Birchcliff’s field operations and higher field labour costs; and (ii) higher natural gas processing costs at the AltaGas Facility due to incremental production coming on-stream from the 06-35 pad in the twelve month Reporting Period. Transportation and other expense per boe in Gordondale increased primarily as a result of higher liquids-handling costs and third-party fractionation processing fees that resulted from inflationary pressures, partially offset by lower liquids pipeline tariffs. Transportation and other expense per boe in the twelve month Reporting Period was also negatively impacted by increased take-or-pay fractionation fees.

Administrative Expense

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

	Three months ended December 31,				Twelve months ended December 31,			
	2022		2021		2022		2021	
	($000s)	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*
Cash:								
Salaries and benefits[1]	18,377	79	16,327	85	38,049	68	35,504	74
Other[2]	4,967	21	2,860	15	17,831	32	12,426	26
G&A expense, gross	23,344	100	19,187	100	55,880	100	47,930	100
Operating overhead recoveries	(31)	-	(37)	(1)	(139)	-	(144)	(1)
Capitalized overhead[3]	(9,979)	(43)	(8,667)	(44)	(19,967)	(36)	(19,540)	(40)
G&A expense, net	13,334	57	10,483	55	35,774	64	28,246	59
G&A expense, net per boe[4]	$1.82		$1.45		$1.27		$0.99	
Non-cash:								
Other compensation	4,081	100	1,625	100	12,956	100	5,605	100
Capitalized compensation[3]	(1,920)	(47)	(872)	(54)	(6,500)	(50)	(3,175)	(57)
Other compensation, net	2,161	53	753	46	6,456	50	2,430	43
Other compensation, net per boe[4]	$0.29		$0.10		$0.23		$0.08	
Administrative expense, net	**15,495**		**11,236**		**42,230**		**30,676**	
Administrative expense, net per boe[4]	**$2.11**		**$1.55**		**$1.50**		**$1.07**	

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

(2) Includes costs such as 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 expense 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 38% from both the three and twelve month Comparable Prior Periods, 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 costs due to inflationary pressures. Other compensation expense increased primarily due to a higher Black-Scholes fair value expense associated with stock options granted by Birchcliff during the Reporting Periods.

Stock Options

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

	Three months ended December 31,				Twelve months ended December 31,			
	2022		2021		2022		2021	
	Number	Price *($)*[1]	Number	Price *($)*[1]	Number	Price *($)*[1]	Number	Price *($)*[1]
Outstanding, beginning	15,114,414	4.00	19,005,656	3.17	23,116,919	3.96	26,134,201	3.56
Granted[2]	5,683,900	9.34	5,436,100	6.54	5,995,300	9.34	5,689,100	6.45
Exercised	(469,530)	(2.39)	(1,260,336)	(3.09)	(6,786,665)	(3.03)	(4,090,375)	(3.09)
Forfeited	(6,000)	(4.26)	(19,501)	(3.73)	(359,670)	(4.50)	(2,082,940)	(7.53)
Expired	-	-	(45,000)	(8.53)	(1,643,100)	(7.84)	(2,533,067)	(3.90)
Outstanding, ending	**20,322,784**	**5.53**	**23,116,919**	**3.96**	**20,322,784**	**5.53**	**23,116,919**	**3.96**

(1) Calculated on a weighted average basis.

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

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 twelve month Reporting Period, there were 809,933 performance warrants exercised at a price of $3.00 per common share. On May 26, 2022, there were 1,724,832 performance warrants purchased by the Corporation for a total cash cost of $14.5 million. As at December 31, 2022, there remained 404,967 performance warrants (December 31, 2021 – 2,939,732) 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 costs required to recover those reserves and the actual production in the relevant period. The Corporation determines its D&D expense on a field-area basis. The following table sets forth Birchcliff's D&D expense for the periods indicated:

	Three months ended December 31,		**Twelve months ended December 31,**	
	2022	**2021**	**2022**	**2021**
Depletion and depreciation expense *($000s)*	58,490	53,916	213,808	212,757
Depletion and depreciation expense per boe *($)*[1]	7.97	7.44	7.61	7.42

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

D&D expense per boe increased by 7% and 3% from the three and twelve month Comparable Prior Periods, respectively. The increases were primarily due to negative revisions to the Corporation's proved and probable reserves and an increase in future development costs required to recover the proved and probable reserves at December 31, 2022.

Included in the depletion assessment at December 31, 2022 was 986.4 MMboe (December 31, 2021 – 1,022 MMboe) of total proved plus probable reserves and $4.5 billion (December 31, 2021 – $4.3 billion) of future development costs as estimated by the Corporation's independent third-party reserves evaluator. See "*Advisories*" in this MD&A.

Asset 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 December 31, 2022 and 2021, Birchcliff determined there were no impairment indicators present and therefore an impairment test was not required.

Finance Expense

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

	Three months ended December 31,		**Twelve months ended December 31,**	
($000s)	**2022**	**2021**	**2022**	**2021**
Cash:				
Interest expense[1]	3,856	5,183	13,738	28,797
Interest expense per boe[1][2]	$0.53	$0.72	$0.49	$1.00
Non-cash:				
Accretion[3]	1,016	940	4,050	3,473
Amortization of deferred financing fees	426	239	1,451	968
Other finance expenses	1,442	1,179	5,501	4,441
Other finance expenses per boe[2]	$0.20	$0.16	$0.19	$0.15
Finance expense	**5,298**	**6,362**	**19,239**	**33,238**
Finance expense per boe[2]	**$0.73**	**$0.88**	**$0.68**	**$1.15**

(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, post-employment benefit obligations and lease obligations.

Finance expense on an aggregate basis decreased by 17% and 42% from the three and twelve month Comparable Prior Periods, respectively, primarily due to a decrease in interest expense.

Birchcliff's aggregate interest expense decreased by 26% and 52% from the three and twelve month Comparable Prior Periods, respectively, primarily due to a lower average outstanding Credit Facilities balance.

The average outstanding balance under the Syndicated Credit Facility (as defined herein) was approximately $171.0 million and $285.1 million in the three and twelve 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 its Credit Facilities for the periods indicated:

	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Working Capital Facility *(%)*	6.8	4.5	5.1	5.1
Syndicated Credit Facility *(%)*(1)(2)(3)	5.9	3.0	3.6	3.8

(1) The average effective interest rate under the Syndicated Credit Facility was determined primarily based on: (i) the market interest rate applicable to LIBOR and SOFR loans; and (ii) the stamping pricing margin applicable to LIBOR and SOFR loans. Birchcliff's stamping 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 twelve month Reporting Periods, standby charges were $0.9 million and $3.0 million, respectively, as compared to $0.5 million and $2.2 million in the Comparable Prior Periods.

Other Income

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

	Three months ended December 31,				Twelve months ended December 31,			
	2022		**2021**		**2022**		**2021**	
	($000s)	*($/boe)*(1)	*($000s)*	*($/boe)*(1)	*($000s)*	*($/boe)*(1)	*($000s)*	*($/boe)*(1)
Other income	35	-	68	0.01	4	-	2,182	0.07

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

Birchcliff's other income in the twelve 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 Pouce Coupe Gas Plant, must reduce emissions beyond its established facility benchmarks in order to generate EPCs.

Other Gains and Losses

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

	Three months ended December 31,				Twelve months ended December 31,			
	2022		**2021**		**2022**		**2021**	
	($000s)	*($/boe)*(1)	*($000s)*	*($/boe)*(1)	*($000s)*	*($/boe)*(1)	*($000s)*	*($/boe)*(1)
Other gains (losses)	(2,080)	(0.03)	1,792	0.25	370	-	7,312	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 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 investment value of $10.0 million. The Securities are not publicly listed and do not constitute significant investments. Birchcliff recorded a gain on investment of $1.8 million during the twelve month Reporting Period, as compared to $6.4 million during the Comparable Prior Period.

On September 20, 2022, Birchcliff provided notice to the Trust to tender the Securities for cash redemption. During the twelve month Reporting Period, Birchcliff redeemed 566,109 Preferred Trust Units and 254,750 Common A Units for aggregate proceeds of $0.6 million. As at December 31, 2022, Birchcliff held a total of 9,433,891 Preferred Trust Units and 4,245,250 Common A Units which collectively had a fair value of $9.4 million (December 31, 2021 – $8.2 million).

During the Reporting Periods, Birchcliff recorded a loss of $2.3 million related to an initial investment in the development of certain carbon capture technology. Birchcliff has withdrawn from the project and will incur no further material costs related to this investment.

Income Tax Expense

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

	Three months ended December 31,		Twelve months ended December 31,	
($000s)	**2022**	**2021**	**2022**	**2021**
Deferred tax expense	22,460	31,117	198,421	91,503
Dividend tax expense on preferred shares	-	687	2,065	2,762
Deferred income tax expense	**22,460**	**31,804**	**200,486**	**94,265**
Deferred income tax expense per boe(1)	**$3.06**	**$4.41**	**$7.14**	**$3.31**

(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 in the three month Reporting Period decreased by 29% from the Comparable Prior Period primarily due to: (i) lower before-tax net income; and (ii) the redemption of the Series A and Series C Preferred Shares on September 30, 2022 which resulted in no dividend tax expense on preferred shares being incurred in the three month Reporting Period. Deferred income tax expense on an aggregate basis in the twelve month Reporting Period increased by 113% from the Comparable Prior Periods primarily due to higher before-tax net income.

The Corporation's estimated income tax pools were $1.3 billion at December 31, 2022. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

As at December 31, *($000s)*	**2022**
Canadian oil and gas property expense	295,524
Canadian development expense	309,587
Canadian exploration expense(1)	290,167
Undepreciated capital costs	228,830
Non-capital losses(1)	153,547
Scientific research and experimental development expenditures(1)	20,844
Investment tax credits(2)	3,096
Financing costs and other	4,296
Estimated income tax pools	**1,305,891**

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

(2) Immediately available 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 December 31,		Twelve months ended December 31,	
($000s)	**2022**	**2021**	**2022**	**2021**
Land	807	447	2,854	1,807
Seismic	416	514	879	1,117
Workovers	5,250	1,024	13,482	9,116
Drilling and completions	70,909	26,333	248,433	171,435
Well equipment and facilities	29,380	7,408	98,973	47,004
F&D capital expenditures(1)	106,762	35,726	364,621	230,479
Acquisitions	-	56	2,348	283
Dispositions	-	-	(315)	-
FD&A capital expenditures(2)	106,762	35,782	366,654	230,762
Administrative assets	709	293	1,576	1,718
Total capital expenditures(2)	**107,471**	**36,075**	**368,230**	**232,480**

(1) See "*Advisories*" 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 $106.8 million, which primarily included $66.5 million (62%) for the drilling and completions of new wells in Pouce Coupe and $29.4 million (28%) on large gas gathering and pipeline infrastructure projects in Pouce Coupe and Gordondale. During the three month Reporting Period, Birchcliff drilled 14 (14.0 net) wells and brought 4 (4.0 net) wells on production.

During the twelve month Reporting Period, Birchcliff had F&D capital expenditures of $364.6 million, which primarily included $208.4 million (57%) for the drilling and completions of new wells in Pouce Coupe, $39.9 million (11%) for the drilling and completions of new wells in Gordondale and $99.0 million (27%) on plant turnarounds and large gas gathering and pipeline infrastructure projects in Pouce Coupe and Gordondale. During the twelve month Reporting Period, Birchcliff drilled 44 (44.0 net) wells and brought 39 (39.0 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 deficit(6) was $6.6 million at December 31, 2022 as compared to an adjusted working capital surplus(6) of $1.5 million at December 31, 2021. Adjusted working capital consists of items from normal day-to-day operations which includes cash, trade receivables and payables, accruals, prepaid expenses and deposits and excludes the current portion of the fair value of financial instruments, other liabilities and capital securities (if any). The change to an adjusted working capital deficit position at December 31, 2022 was attributed to an increase in the Corporation's accounts payable and accrued liabilities balance, which was largely comprised of costs incurred on the drilling and completions of new wells and large gas gathering and pipeline infrastructure projects in Pouce Coupe during the three month Reporting Period, partially offset by an increase in the accounts receivable balance associated with higher revenue from December 2022 production.

At December 31, 2022, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of December 2022 production (94%), which was subsequently received in January 2023. 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 December 31, 2022 primarily consisted of trade payables and accrued capital and operating expenses.

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

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 Birchcliff's Credit Facilities.

Debt

At December 31, 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 at December 31, 2022 was $138.5 million, a decrease of 72% 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 primarily allocated to debt reduction. During the twelve month Reporting Period, Birchcliff generated $953.7 million in adjusted funds flow and incurred $364.6 million in F&D capital expenditures, resulting in free funds flow of $589.1 million. Total debt in the twelve month Reporting Period was also reduced by proceeds in the amount of $23.0 million received from the exercise of stock options and performance warrants and increased by the cost to repurchase common shares under Birchcliff's normal course issuer bid of $57.2 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 $77.0 million. See *"Discussion of Operations"*, "*Share Information*" 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.

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

As at December 31, *($000s)*	**2022**	**2021**
Maximum borrowing base limit:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(131,981)	(500,870)
Unamortized deferred financing fees	(3,541)	(3,718)
Outstanding letters of credit[(1)]	(185)	(4,185)
	(135,707)	(508,773)
Unused credit	**714,293**	**341,227**
% unused credit	**84%**	**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 December 31,		Twelve months ended December 31,	
($000s)	**2022**	**2021**	**2022**	**2021**
Cash flow from operating activities	224,447	196,142	925,275	515,369
Issuance of common shares	1,122	3,892	23,005	12,641
Repurchase of common shares[1]	(2,793)	(14,139)	(57,207)	(31,506)
Redemption of capital securities[2]	-	(60)	(38,268)	(1,662)
Redemption of perpetual preferred shares[3]	-	-	(50,000)	-
Purchase of performance warrants	-	-	(14,506)	-
Financing fees paid	-	-	(1,275)	(3,454)
Lease payments	(615)	(614)	(2,458)	(2,444)
Dividend distributions	(58,503)	(4,363)	(76,950)	(13,544)
Net change in revolving term credit facilities	(65,433)	(147,695)	(369,066)	(228,015)
Investments	(328)	(1,097)	(1,956)	(1,252)
Changes in non-cash working capital from investing	9,604	4,009	31,647	(13,650)
Capital resources[4]	**107,501**	**36,075**	**368,241**	**232,483**

(1) Represents common shares that have been purchased and cancelled pursuant to the Corporation's normal course issuer bid. See *"Share Information"* in this MD&A.

(2) Represents the Series C Preferred Shares that were redeemed by the Corporation during the Reporting Periods. See *"Share Information"* in this MD&A.

(3) Represents the Series A Preferred Shares that were redeemed by the Corporation on September 30, 2022. See *"Share Information"* 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 and available Credit Facilities in 2023 will be sufficient to fund its working capital requirements, its capital program and future dividend payments in 2023. For further information, see *"2023 Guidance", "Dividends"* and *"Advisories"* in this MD&A.

At December 31, 2022, Birchcliff had a balance outstanding under its Credit Facilities of $132.0 million as compared to $500.9 million at December 31, 2021 from available Credit Facilities of $850.0 million, leaving the Corporation with $714.3 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 capital expenditure programs and dividend payments if required.

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 December 31, 2022:

($000s)	**2023**	**2024**	**2025-2027**	**Thereafter**
Accounts payable and accrued liabilities	143,787	-	-	-
Drawn revolving term credit facilities	-	-	135,522	-
Firm transportation and fractionation[1]	155,901	151,929	336,324	85,754
Natural gas processing[2]	19,327	19,380	55,625	85,869
Operating commitments[3]	2,078	2,078	6,234	173
Capital commitments[4]	1,448	-	-	-
Lease payments	3,174	3,174	8,456	484
Estimated contractual obligations[5]	**325,715**	**176,561**	**542,161**	**172,280**

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

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

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

(4) Includes drilling commitments.

(5) 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 December 31, 2022 to be approximately $281.0 million and are estimated to be incurred as follows: 2023 – $3.5 million, 2024 – $3.5 million and $274.0 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

SHARE INFORMATION

At March 15, 2023, 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
Issuance of common shares[1]	7,596,598
Repurchase of common shares[2]	(6,340,192)
Balance at December 31, 2022	266,046,810
Exercise of stock options	882,018
Balance at March 14, 2023	**266,928,828**

(1) Relates to the exercise of stock options and performance warrants.

(2) Represents common shares that have been purchased and cancelled pursuant to the Corporation's normal course issuer bid.

At March 14, 2023, the Corporation had the following securities outstanding: 266,928,828 common shares; 19,463,466 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, 2022, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**2023 NCIB**"). Pursuant to the 2023 NCIB, Birchcliff may purchase up to 13,295,786 of its outstanding common shares over a period of twelve months commencing on November 25, 2022 and terminating no later than November 24, 2023. Under the 2023 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. The total number of common shares that Birchcliff is permitted to purchase on the TSX during a trading day is subject to a daily purchase limit of 455,368 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the 2023 NCIB will be cancelled.

The 2023 NCIB renewed the Corporation's previous normal course issuer bid under which the Corporation was permitted to purchase 13,267,554 common shares over the period from November 25, 2021 to November 24, 2022 (the "**2022 NCIB**"). During the twelve month Reporting Period, Birchcliff purchased and cancelled 6,340,192 common shares pursuant to the 2022 NCIB and 2023 NCIB at an average price of $9.01 for an aggregate cost of $57.1 million (before fees). Birchcliff did not purchase any common shares pursuant to the 2023 NCIB from January 1, 2023 to March 14, 2023.

A security holder of the Corporation may obtain, for no charge, a copy of the notice in respect of the 2023 NCIB filed with the TSX by contacting the Corporation at 403-261-6401.

Series A Preferred Shares

On September 30, 2022, Birchcliff redeemed 2,000,000 issued and outstanding 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.

Series C Preferred Shares

On September 30, 2022, Birchcliff redeemed 1,528,219 issued and outstanding 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.

DIVIDENDS

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

	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Common Shares:				
Dividend distribution *($000s)*	58,503	2,646	71,788	6,639
Per common share *($)*	0.2200	0.0100	0.2700	0.0250
Series A Preferred Shares:				
Series A dividend distribution *($000s)*	-	1,047	3,149	4,187
Per Series A Preferred Share *($)*	-	0.5234	1.5744	2.0935
Series C Preferred Shares:				
Series C dividend distribution *($000s)*	-	670	2,013	2,718
Per Series C Preferred Share *($)*	-	0.4375	1.3161	1.7500

During the twelve month Reporting Period, the Corporation paid a: (i) quarterly base dividend of $0.01 per common share for the quarter ended March 31, 2022; (ii) quarterly base dividend of $0.02 per common share for the quarters ended June 30, 2022, September 30, 2022 and December 31, 2022; and (iii) special dividend of $0.20 per common share on October 28, 2022.

On January 18, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending March 31, 2023. The dividend will be payable on March 31, 2023 to shareholders of record at the close of business on March 15, 2023.

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

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,	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021
Average light oil production *(bbls/d)*	2,413	2,254	1,855	2,369	2,604	2,878	2,766	3,355
Average condensate production *(bbls/d)*	4,822	4,601	4,500	4,796	5,330	5,990	6,070	5,467
Average NGLs production *(bbls/d)*	7,963	7,593	6,349	7,976	7,570	6,889	7,647	8,734
Average natural gas production *(Mcf/d)*	387,604	381,788	366,256	365,296	379,275	415,005	352,694	345,057
Average production *(boe/d)*	79,799	78,079	73,746	76,024	78,716	84,924	75,265	75,065
Average realized light oil sales price *($/bbl)*(1)(2)	115.24	115.94	135.91	115.47	92.79	83.52	76.50	67.02
Average realized condensate sales price	114.32	115.84	138.28	121.56	98.66	88.04	81.90	74.22
Average realized NGLs sales price *($/bbl)*(1)(2)	35.80	38.18	48.26	43.56	38.24	35.13	25.27	24.69
Average realized natural gas sales price	6.11	6.83	8.61	5.40	5.52	4.46	3.48	3.52
Average realized sales price *($/boe)*(1)(2)	43.63	47.26	58.75	41.79	40.02	33.70	28.27	27.47
P&NG revenue *($000s)*(1)	320,358	339,531	394,315	285,976	289,806	263,348	193,643	185,609
Operating expense *($/boe)*(2)	4.06	3.50	3.40	3.49	3.50	2.96	3.14	3.18
F&D capital expenditures *($000s)*(3)	106,762	85,330	84,247	88,282	35,726	18,026	80,887	95,840
Total capital expenditures *($000s)*(4)	107,471	86,485	86,150	88,124	36,075	18,622	81,160	96,625
Cash flow from operating activities *($000s)*	224,447	272,965	273,711	154,152	196,142	155,606	81,013	82,608
Adjusted funds flow *($000s)*(4)	217,099	267,350	285,535	183,699	193,649	168,076	90,188	87,820
Per basic common share *($)*(5)	0.82	1.01	1.08	0.69	0.73	0.63	0.34	0.33
Per diluted common share *($)*(5)	0.79	0.97	1.03	0.67	0.70	0.61	0.33	0.33
Free funds flow *($000s)*(4)	110,337	182,020	201,288	95,417	157,923	150,050	9,301	(8,020)
Net income *($000s)*	69,453	245,637	214,902	126,839	107,149	139,413	44,901	23,213
Net income to common shareholders *($000s)*	69,453	244,582	213,855	125,792	106,102	138,367	43,854	22,166
Per basic common share *($)*	0.26	0.92	0.81	0.47	0.40	0.52	0.16	0.08
Per diluted common share *($)*	0.25	0.89	0.77	0.46	0.38	0.50	0.16	0.08
Total assets *($ millions)*	3,169	3,188	3,066	3,006	2,960	2,993	2,996	2,941
Revolving term credit facilities *($000s)*	131,981	196,989	276,030	397,752	500,870	648,327	720,920	701,735
Total debt *($000s)*(6)	138,549	186,064	266,894	408,998	499,397	637,905	770,897	777,385
Dividends on common shares *($000s)*	58,503	5,317	5,310	2,658	2,646	1,330	1,333	1,330
Dividends on Series A Preferred Shares *($000s)*	-	1,055	1,047	1,047	1,047	1,046	1,047	1,047
Dividends on Series C Preferred Shares *($000s)*	-	675	668	670	670	671	678	699
Series A Preferred Shares outstanding *(000s)*	-	-	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
End of period common shares outstanding *(000s)*								
Basic	266,047	265,877	265,204	266,810	264,790	265,573	266,953	266,045
Diluted	286,775	281,397	281,940	287,829	290,847	287,518	289,806	292,757
Weighted average common shares outstanding								
Basic	265,922	265,298	265,440	265,530	265,197	266,547	266,231	265,989
Diluted	275,567	274,223	276,015	275,980	276,600	276,282	270,155	266,370

(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*" 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 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 price has benefited from increases in benchmark oil and natural gas prices since the first quarter of 2021. 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 which resulted from changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts 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 the revolving term credit facilities 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. The revolving term credit facilities in the last seven quarters has trended lower due to significant free funds flow generation, which was primarily allocated towards debt reduction in line with management's commitment to significantly reduce indebtedness.

The Corporation pays dividends on its common shares when declared and approved by the Board. The dividend payments on the Corporation's common shares have increased substantially since the three month Comparable Prior Period as a result of the increased quarterly base dividend that was paid for the quarters ended June 30, 2022, September 30, 2022 and December 31, 2022 and the special dividend of $0.20 per common share that was paid on October 28, 2022. 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

Disclosure Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer (the "**Certifying Officers**") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("**DC&P**"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the Certifying Officers by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings, or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's DC&P at December 31, 2022 and have concluded that the Corporation's DC&P were effective at December 31, 2022.

While the Certifying Officers believe that the Corporation's DC&P provide a reasonable level of assurance and are effective, they do not expect that the DC&P will prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met.

Internal Control over Financial Reporting

The Certifying Officers have designed, or caused to be designed under their supervision, internal control over financial reporting ("**ICFR**"), as defined in NI 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Corporation. The control framework the Certifying Officers used to design the Corporation's ICFR is *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's ICFR at December 31, 2022 and have concluded that the Corporation's ICFR was effective at December 31, 2022. There were no changes in the Corporation's ICFR that occurred during the period beginning on October 1, 2022 and ended on December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

While the Certifying Officers believe that the Corporation's ICFR provides a reasonable level of assurance and is effective, they do not expect that the ICFR will prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objective of the control system will be met.

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.

Benchmark oil and natural gas prices remained volatile during 2022 primarily due to supply and demand uncertainty attributed to regional impacts of ongoing restrictions and lockdowns in China resulting 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 on global economies. 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 economic conditions have been considered in management's estimates and assumptions at December 31, 2022 and have been reflected in the Corporation's results.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in its financial statements:

Identification of Cash-Generating Units

Birchcliff's assets are required to be aggregated into cash-generating units ("**CGUs**") for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, operating structure, commodity type and similar exposures to market risks. By their nature, these assumptions are subject to management's judgment and may impact the carrying value of the Corporation's assets in future periods.

Identification of Impairment Indicators

IFRS requires Birchcliff to assess, at each reporting date, whether there are any internal or external indicators that its petroleum and natural gas properties and equipment within a CGU may be impaired. Birchcliff is required to consider information from both external sources (such as negative downturn in forecasted oil and gas commodity prices, significant adverse changes in the technological, market, economic or legal environment in which the entity operates) and internal sources (such as downward revisions in the estimate of proved and probable oil and gas reserves and the related cash flows, significant adverse effect on the financial and operational performance of a CGU, evidence of obsolescence or physical damage to the asset). By their nature, these assumptions are subject to management's judgment.

Tax Uncertainties

IFRS requires Birchcliff, at each reporting date, to make certain judgments on uncertain tax positions by relevant tax authorities. Judgments include determining whether the Corporation will "more likely than not" be successful in defending its tax positions by considering information from relevant tax interpretations and tax laws in Canada. As such, this recognition threshold is subject to management's judgment and may impact the carrying value of the Corporation's deferred tax assets and liabilities at the end of the reporting period.

Lease Obligations

IFRS requires Birchcliff to make certain judgments in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Key and Other Sources of Estimation Uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year:

Reserves

Reported recoverable quantities of proved and probable oil and gas reserves and the related cash flows require estimation and are subject to assumptions regarding forecasted production, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. They also require interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate proved and probable oil and gas reserves may change from period to period. The Corporation uses estimated proved and probable oil and gas reserves to deplete petroleum and natural gas properties and equipment, to assess for indicators of impairment on the Corporation's CGU and, if any indicators exist, to perform an impairment test to estimate the recoverable amount of a CGU. The Corporation engages an independent third-party reserves evaluator to evaluate its proved and probable oil and gas reserves. The estimated recoverable quantities of proved and probable oil and gas reserves and the related cash flows from Birchcliff's petroleum and natural gas interests are evaluated by an independent third-party reserves evaluator at least annually.

The Corporation's proved and probable oil and gas reserves represent the estimated quantities of petroleum, natural gas and NGLs which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such proved and probable oil and gas reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon: (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proved and probable if producibility is supported by either production or conclusive formation tests. Birchcliff's proved and probable oil and gas reserves are determined in accordance with the standards contained in NI 51-101 and the *Canadian Oil and Gas Evaluation Handbook* (the "**COGE Handbook**").

Share-Based Payments

All equity-settled, share-based awards issued by the Corporation are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Decommissioning Obligations

The Corporation estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires an estimate regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these risk-free cash flows.

Post-Employment Benefit Obligations

The Corporation estimates the post-employment benefit obligations at the end of each reporting period. In most instances, the obligations occur many years into the future. The Corporation uses estimates related to the initial measurement of the obligations for eligible employees including expected age of employee retirement, employee turnover, probability of early retirement, discount rate and inflation rate on salary and benefits. From time to time, these estimates may change causing the obligations recorded by the Corporation to change.

Lease Obligations

Lease obligations are estimated using the rate implicit in the lease unless this rate is not readily determinable, in which case a discount rate equal to the Corporation’s incremental borrowing rate is used. This rate represents the rate that the Corporation would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Impairment of Non-Financial Assets

For the purposes of determining the extent of any impairment or its reversal, if any, estimates must be made regarding proved and probable oil and gas reserves and the related cash flows considering significant assumptions including forecasted oil and gas commodity prices, forecasted production, forecasted operating costs, forecasted royalty costs and forecasted future development costs. These significant assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the discount rate estimate used to discount the cash flow estimates related to proved and probable oil and gas reserves. Changes in the aforementioned assumptions could affect the carrying amount of the Corporation’s assets, and impairment charges and reversal, if any, will affect profit or loss.

Income Taxes

Birchcliff files corporate income tax, goods and services tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of these tax positions through negotiations or litigation with tax authorities can take several years to complete. The Corporation does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. Estimates of future taxable income are based on forecasted cash flows from operations. To the extent that any interpretation of tax law is challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Birchcliff to realize the deferred tax assets recorded at the statement of financial position date could be impacted.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and natural gas business generally. If any of the risks set out below materialize, the Corporation's business, financial condition, results of operations, prospects, cash flow and reputation may be adversely affected, which may, in turn, reduce or restrict the Corporation's ability to pay dividends and may materially affect the market price of the common shares.

Commodity Prices

The prices of oil, natural gas and NGLs are volatile, outside of the Corporation's control and affect the Corporation's financial condition, financial performance, cash flow and future rate of growth

The Corporation's revenue, profitability, cash flow and future rate of growth are highly dependent on commodity prices. Commodity prices may fluctuate widely in response to relatively minor changes in the supply of, and demand for, oil, natural gas and NGLs, market uncertainty and a variety of additional factors that are beyond the Corporation's control. These factors include, but are not limited to, the following:

- domestic and global supply of, and demand for, oil, natural gas and NGLs;
- market expectations with respect to the future supply of, demand for and price of, oil, natural gas and NGLs;
- concerns regarding COVID-19 and its impact on the supply of, and demand for, oil, natural gas and NGLs;
- global oil, NGLs and natural gas inventory levels;
- volatility and trading patterns in the commodity-futures markets;
- the proximity, capacity, cost and availability of pipelines and other transportation facilities;
- the capacity of refiners to utilize available supplies of oil and NGLs;
- weather conditions affecting supply and demand;
- overall domestic and global economic conditions;
- political conditions, instability and hostilities, including conflicts in the Middle East, Eastern Europe and elsewhere;
- sanctions imposed on certain oil producing nations (such as Russia) by other countries;
- the actions of OPEC, its members and other state-controlled oil companies relating to oil price and production controls;
- currency fluctuations;
- the price and quantity of oil, NGLs and LNG imports to, and exports from, the US and other countries;
- the development of new hydrocarbon exploration, production and transportation methods or technological advancements in existing methods;
- capital investments by oil and natural gas companies relating to the exploration, development and production of hydrocarbons;
- social attitudes or policies affecting energy consumption and energy supply;
- domestic and foreign governmental regulations, including environmental regulations, climate change regulations and taxation;

- shareholder activism or activities by non-governmental organizations to limit sources of capital for the energy sector or restrict the exploration, development and production of oil, NGLs and natural gas;
- the effects of energy conservation efforts and GHG reduction measures; and
- the price, availability and acceptance of alternative energies, including renewable energy.

Crude oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries, conflicts in the Middle East, the war in Ukraine and ongoing credit and liquidity concerns. Prices for crude oil and natural gas are also subject to the availability of foreign markets and the ability to access such markets.

Any substantial and prolonged decline in the price of oil and natural gas would have an adverse effect on the carrying value of the Corporation's assets, borrowing capacity, revenue, profitability and cash flow from operating activities and may have a material adverse effect on the Corporation's business, financial condition, results of operations, prospects, its ability to pay dividends and ultimately on the market price of the common shares.

A material decline in oil and natural gas prices could result in a reduction in the Corporation's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs. The Corporation might also elect not to produce from certain wells at lower prices. In addition, any prolonged period of low oil or natural gas prices could result in a decision by the Corporation to suspend or slow exploration and development activities or the construction or expansion of new or existing facilities or reduce its production levels.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on the value of such properties. Price volatility also makes it difficult to budget for and project the return on potential acquisitions or development and exploitation projects.

Lower commodity prices may also affect the volume and value of the Corporation's reserves, rendering certain reserves uneconomic for development. The Corporation's reserves at December 31, 2022 are estimated using forecast prices and costs. If oil and natural gas prices decrease, the Corporation's reserves may be substantially reduced as economic limits of developed reserves are reached earlier and undeveloped reserves become uneconomic at such prices. Even if some reserves remain economic at lower price levels, sustained low prices may compel the Corporation to re-evaluate its development plans and reduce or eliminate various projects with marginal economics. Any decrease in the value of the Corporation's reserves may reduce the borrowing base under the Credit Facilities, which, depending on the level of the Corporation's indebtedness, could result in the Corporation having to repay a portion of its indebtedness. See *"Risk Factors – Credit Facilities"* in this MD&A.

In addition, lower commodity prices restrict the Corporation's cash flow resulting in less funds being available to fund the Corporation's capital expenditure programs. The Corporation's capital expenditure plans are impacted by the Corporation's cash flow. Consequently, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year-over-year basis.

In addition to possibly resulting in a decrease in the value of the Corporation's economically recoverable reserves, lower commodity prices may also result in a decrease in the value of the Corporation's infrastructure and facilities, all of which could also have the effect of requiring a write-down of the carrying value of its oil and natural gas assets on its balance sheet and the recognition of an impairment charge on its income statement.

Exploration, Development and Production Risks

The Corporation's business, operations and financial condition may be affected by the financial, operational, environmental and safety risks associated with the exploration, development and production of oil and natural gas

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Corporation's existing reserves and the production therefrom, will decline over time as the Corporation produces from such reserves. A future increase in the Corporation's reserves will depend on both the ability of the Corporation to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Corporation may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Corporation will discover or acquire further commercial quantities of oil and natural gas. The success of the Corporation's business is highly dependent on its ability to acquire or discover new reserves in a cost-efficient manner as substantially all of the Corporation's cash flow is derived from the sale of the petroleum and natural gas reserves that it accumulates and develops. In order to remain financially viable, the Corporation must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Adverse field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, the shutting-in of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development and utilization of enhanced recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

The Corporation utilizes multi-well pad drilling where practicable. Wells drilled on a pad are typically not placed on production until all wells on the pad are drilled and completed. In addition, problems affecting a single well could adversely affect production from all of the wells on the pad. As a result, multi-well pad drilling can cause delays in the scheduled commencement of production or interruption in ongoing production. These delays or interruptions may cause volatility in the Corporation's operating results.

The Corporation's business is subject to all the risks and hazards typically associated with oil and natural gas exploration, development and production operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property or the environment and cause personal injury or threaten wildlife. Particularly, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability and business interruption insurance in amounts that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Corporation could incur significant costs. See *"Risk Factors – Insurance"* in this MD&A.

Restrictions on the availability and cost of materials and equipment may impede the Corporation's exploration, development and operating activities as such activities are dependent on the availability and cost of specialized materials and equipment (typically sourced from third parties) in the areas where such activities are conducted. The availability of such material and equipment is limited. An increase in demand or cost, or a decrease in the availability of such materials and equipment may impede the Corporation's exploration, development and operating activities. See *"Risk Factors – Availability and Cost of Equipment, Materials and Services and Inflation"* in this MD&A.

Project Risks

The success of the Corporation's operations may be negatively impacted by factors outside of its control resulting in operational delays and cost overruns

The Corporation manages a variety of small and large projects in the conduct of its business. Project delays and interruptions may delay expected revenue from operations. Significant project cost overruns could make a project uneconomic. The Corporation's ability to execute projects and successfully market its oil, natural gas and NGLs depends upon numerous factors beyond the Corporation's control, including:

- the availability and proximity of processing and pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing and the Corporation's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the effects of inclement and severe weather events, including fire, drought, flooding and extreme temperatures;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour;
- environmental and Indigenous activism or land claims that result in delays or cancellations of projects;
- litigation and judicial interpretation and application of laws, including with respect to Indigenous rights and historical treaties; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

If cash flow from operating activities and funds from external financing sources are not sufficient to cover the Corporation's capital expenditure requirements, the Corporation may be required to reallocate available capital among its projects or modify its capital expenditure plans, which may result in delays in, or cancellation of, certain projects or the deferral of certain capital expenditures. Any change to the Corporation's capital expenditure plans could, in turn, have a material adverse effect on the Corporation's business, financial position, results of operations and plans.

Because of these factors, the Corporation could be unable to execute projects on time, on budget, or at all, and may be unable to effectively market the oil, natural gas and NGLs that it produces.

Market Price of the Common Shares

The market price of the common shares may be volatile and adversely affected by factors related and unrelated to the oil and natural gas industry and cannot be accurately predicted

The market price of the common shares may be volatile, which may affect the ability of holders to sell such shares at an advantageous price. The market prices of the securities of oil and natural gas issuers, including the Corporation, is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices and/or current perceptions of the oil and natural gas market. This includes, but is not limited to, changing (and in some cases negative) investor sentiment towards energy-related businesses. In recent years, the volatility of oil and natural gas commodity prices and the securities of issuers involved in the oil and natural gas business, has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. The volatility, trading volume and market prices of oil and natural gas issuers have been impacted by increasing investment levels in passive funds that track major indices and only purchase securities included in such indices and subsequently dispose of those securities if they are excluded from such indices. In addition, many institutional investors, pension funds and insurance companies, including government-sponsored entities, have implemented investment strategies increasing their investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments. These factors have impacted the volatility and liquidity of certain securities and put downward pressure on the market prices of those securities.

Similarly, the market price of the common shares could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity, debt levels and other internal factors. In addition, market price fluctuations in the common shares may also be due to the Corporation's results failing to meet the expectations of securities analysts or investors in any quarter, downward revisions in securities analysts' estimates and material public announcements by the Corporation, along with a variety of additional factors, including, without limitation, those set forth under "*Advisories – Forward-Looking Statements"* in this MD&A. Accordingly, the prices at which the common shares will trade cannot be accurately predicted.

Dividends

The payment of dividends could vary

The declaration and payment of future dividends (and the amount thereof) is subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including: fluctuations in commodity prices; the financial condition of Birchcliff; current and future levels of cash flow; production levels; results of operations; capital expenditure, working capital, debt service and liquidity requirements; operating costs; royalty burdens; foreign exchange and interest rates; tax laws; the Corporation's risk management activities or programs; available investment opportunities; the Corporation's business plan, strategies and objectives; legal, regulatory and contractual restrictions; the satisfaction of the solvency and liquidity tests imposed by the *Business Corporations Act* (Alberta) (the "**ABCA**") for the declaration and payment of dividends; and other factors that the Board may deem relevant. Depending on these and various other factors, many of which are beyond the control of Birchcliff, the dividend policy of the Corporation may vary from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

Pursuant to the ABCA, the Corporation may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. Additionally, pursuant to the agreement governing the Credit Facilities, the Corporation is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution.

Dividends may be reduced or suspended during periods of lower cash flow from operating activities. The timing and amount of Birchcliff's capital expenditures, and the ability of the Corporation to repay or refinance existing debt as it becomes due, directly affects the amount of cash dividends that may be declared by the Board. Future acquisitions, expansions of Birchcliff's assets, and other capital expenditures and the repayment or refinancing of existing debt as it becomes due may be financed from sources such as cash flow from operating activities, the issuance of additional shares or other securities of Birchcliff, and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to Birchcliff, or at all, to make additional investments, fund future expansions or make other required capital expenditures. To the extent that external sources of capital, including the issuance of additional shares or other securities or the availability of additional credit facilities, become limited or unavailable on favourable terms or at all due to credit market conditions or otherwise, the ability of the Corporation to make the necessary capital investments to maintain or expand its operations, to repay outstanding debt and to invest in assets, as the case may be, may be impaired. To the extent Birchcliff is required to use cash flow from operating activities to finance capital expenditures or acquisitions or to repay existing debt as it becomes due, the cash available for dividends may be reduced and the level of dividends declared may be reduced or suspended entirely.

Over time, the Corporation's capital and other cash needs may change significantly from its current needs, which could affect whether the Corporation pays dividends and the amount of dividends, if any, it may pay in the future. If the Corporation continues to pay dividends at the current levels, it may not retain a sufficient amount of cash to finance external growth opportunities, meet any large unanticipated liquidity requirements or fund its activities in the event of a significant business downturn.

The Board may amend, revoke or suspend the Corporation's dividend policy at any time. A decline in the market price, liquidity or both, of the common shares may result if the Corporation reduces or eliminates the payment of dividends, which may result in losses to shareholders. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by Birchcliff and potential legislative and regulatory changes.

Availability and Cost of Equipment, Materials and Services and Inflation

Restrictions on the availability and cost of equipment, materials and services may impede the Corporation's exploration, development and operating activities and the Corporation's operations may be negatively impacted by inflationary pressures

Oil and natural gas exploration, development and operating activities are dependent on the availability and cost of specialized equipment and other materials (typically leased from third parties) in the areas where such activities will be conducted. The availability of such equipment and materials is limited.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services, including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flow.

The Corporation's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices and additional government intervention through stimulus spending or additional regulations, which may reduce the Corporation's revenue. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flow.

Infectious Disease Risks (Including COVID-19)

Infectious diseases (including COVID-19) may cause disruptions in economic activity in Canada and internationally and impact the demand for oil and natural gas

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on the Corporation's business, including changes to the way the Corporation and its counterparties operate, and on the Corporation's financial results and condition. The spread of the COVID-19 pandemic continues to pose risks to the global economy and the oil and natural gas industry more broadly.

While the duration and full impact of the COVID-19 pandemic are not yet known, effects of COVID-19 may include disruptions to production operations, reduced access to materials and services, increased employee absenteeism from illness and temporary closures of the Corporation's facilities. The prolonged effects of any disruption may have adverse impacts on the Corporation's business strategies and initiatives, resulting in ongoing effects to its financial results, including the increase of counterparty, market and operational risks. If the COVID-19 pandemic is further prolonged, including the possibility of additional subsequent waves and the introduction of new variants, or further diseases emerge that give rise to similar effects, the adverse impact on the economy could deepen and result in further volatility and declines in commodity and financial markets. Moreover, it remains uncertain how the macroeconomic environment will be impacted following the COVID-19 pandemic. Unexpected developments in commodity and financial markets, regulatory environments, industrial activity or consumer behavior and confidence may also have adverse impacts on the Corporation's business and financial condition, potentially for a substantial period of time.

Gathering and Processing Facilities, Pipeline Systems, Trucking and Rail

Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and railway lines may have a negative impact on the Corporation’s ability to produce and sell its oil and natural gas

The Corporation delivers its products through gathering and processing facilities, pipeline systems, by truck and, in certain circumstances, by rail. The amount of oil, natural gas and NGLs that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems, trucks and railway lines. The lack of firm pipeline capacity, production limits and limits on availability of capacity in gathering and processing facilities, pipeline systems and railway lines continues to affect the oil and natural gas industry and limits the ability to transport produced oil, natural gas and NGLs to market. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Corporation’s production, operations and financial results.

Federal and various provincial governments have been active in recent years in their support for and opposition to major infrastructure projects in Canada, leading to increased awareness of, and challenges to, interprovincial and international infrastructure projects. In 2019, the *Canadian Energy Regulator Act* (Canada) and the *Impact Assessment Act* (Canada) came into force and the *National Energy Board Act* and the *Canadian Environmental Assessment Act, 2012* were repealed. In addition, the Impact Assessment Agency of Canada replaced the Canadian Environmental Assessment Agency. The impact of the new federal regulatory scheme on proponents, and the timing for receipt of approvals, of major projects is unclear.

The Corporation’s production passes through Birchcliff owned or third-party infrastructure prior to it being ready for sale. There is a risk that should this infrastructure fail and cause a significant portion of the Corporation’s production to be shut-in and unable to be sold, this could have a material adverse effect on the Corporation’s available cash flow. With respect to facilities owned by third parties and over which the Corporation has no control, these facilities may discontinue or decrease operations, either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on the Corporation’s ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Further, the Corporation has certain long-term take-or-pay commitments to deliver products through third-party owned infrastructure which creates a financial liability and there can be no assurance that future volume commitments will be met which may adversely affect the Corporation’s financial condition and cash flow from operating activities.

Geopolitical Events

Geopolitical events or instability may have wide-ranging consequences for the global market and economic conditions, including energy and commodity prices

The Corporation’s business may be adversely affected by recent geopolitical events and decisions made in Canada, the United States, China, Europe and elsewhere.

The current war in Ukraine and the international response has had, and may continue to have, potential wide-ranging consequences for global market volatility and economic conditions, including energy and commodity prices, which may, in turn, increase inflationary pressures and interest rates. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which have had, and may continue to have, far-reaching effects on the global economy and energy and commodity prices. The short, medium and long-term implications of the war in Ukraine are difficult to predict with any certainty at this time and there remains uncertainty relating to the potential direct and indirect impact of the war on the Corporation, and it could have a material and adverse effect on its business, financial condition and results of operations. Depending on the extent, duration and severity of the war, it may have the effect of heightening many of the other risks described herein, including, without limitation, the risks relating to the Corporation's exposure to commodity prices; the successful completion of the Corporation's growth and expansion projects, including the expected return on investment thereof; supply chains and the Corporation's ability to obtain required equipment, materials or labour; cybersecurity risks; inflationary pressures; and restricted access to capital and increased borrowing costs as a result of increased interest rates.

Substantial Capital and Additional Funding Requirements

The Corporation may require additional financing from time to time to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by the current economic and global market volatility

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil, natural gas and NGLs reserves in the future. As future capital expenditures are expected to be financed out of cash generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Corporation's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Corporation's securities in particular.

The Corporation's cash flow from its properties may not be sufficient to fund its ongoing activities at all times and from time to time the Corporation may require additional financing. The inability of the Corporation to access sufficient capital for its operations and activities could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet the Corporation's requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the Corporation may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. Moreover, future activities may require the Corporation to alter its capitalization significantly. A failure to obtain financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce its operations.

Political Uncertainty

The Corporation's business may be adversely affected by political and social events and decisions made in Canada and elsewhere

The Corporation's results can be adversely impacted by political, legal or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or the interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and the duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for the Corporation's activities or restrict the operation of third-party infrastructure that the Corporation relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, the sale of electric vehicles and the use of alternative fuels or uncompetitive fuel components could affect the demand for the Corporation's products. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels, technologies or the use of electric vehicles. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources and the success of these initiatives may decrease the demand for the Corporation's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry, including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development, particularly with respect to infrastructure projects. Protests, blockades, demonstrations and vandalism have the potential to delay and disrupt the Corporation's activities. See *"Risk Factors – Public Opposition and Non-Governmental Organizations"* in this MD&A.

Danielle Smith was elected as the Premier of Alberta on October 11, 2022. Shortly after her appointment, Premier Smith introduced Bill 1: *Alberta Sovereignty Within a United Canada Act* (the "**Sovereignty Act**"). The Sovereignty Act was passed on December 8, 2022 and received Royal Assent on December 15, 2022. The Sovereignty Act, amongst other things, enables the Alberta Government to choose which federal legislation, policies or programs it will enforce in Alberta, providing an overriding right to not enforce those which the Alberta Government deems to be "harmful" to Alberta's interests or infringe on the Federal Constitution and its division of powers. The Sovereignty Act has been opposed by many, including Alberta's New Democratic Party and various Indigenous groups who have expressed concern as to how the Sovereignty Act will affect Indigenous rights and consultation obligations in Alberta. It is unclear what effect the Sovereignty Act will have on Alberta, including the oil and natural gas industry, Alberta businesses and the Province's federal and interprovincial relationships, including the application of certain federal legislation in Alberta, such as the *Greenhouse Gas Pollution Pricing Act* (Canada) and the *Impact Assessment Act* (Canada) and the way in which the Alberta Government may address any legislative and policy gaps created. Although the Sovereignty Act has not yet been challenged in court, it is possible the Sovereignty Act's constitutionality will be challenged.

The Federal Government was re-elected in a minority position in September 2021. The ability of the minority Federal Government to pass legislation will be subject to whether it is able to come to agreement with, and garner the support of, the other elected parties, most of whom are opposed to the development of the oil and natural gas industry. The minority Federal Government will also be required to rely on the support of the other elected parties to remain in power, which provides less stability and may lead to an earlier subsequent federal election. Lack of political consensus, at both the federal and provincial government level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes, curtailment of crude oil production and transportation and export capacity, and may affect the business of participants in the oil and natural gas industry, which effect could prove to be material over time.

Climate Change

Climate change may pose varied and far-ranging risks to the business and operations of the Corporation, both known and unknown, which may adversely affect its business, operations and financial condition

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government and investor attention is being paid to global climate issues and to emissions of GHGs, including emissions of CO_2 and methane from the production and use of oil, NGLs and natural gas. The majority of countries across the globe, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. During the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and environmental impact.

As discussed in further detail below, the Corporation faces various risks associated with climate change. The Corporation has grouped its risks related to climate change into two main categories: physical risks and transition risks. Physical risks have been further sub-divided into acute physical risks (those that are event-driven, including increased severity of extreme weather events) and chronic physical risks (those that relate to longer-term shifts in climate patterns). Transition risks have been further sub-divided into reputational, market, regulatory and policy, legal and technology risks.

Physical Risks – Acute

Climate change has been linked to an increased severity and frequency of extreme weather. Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict or interfere with the Corporation's operations, increasing its costs and negatively impacting its production. For example, extreme weather may impact the Corporation's ability to complete capital projects, facility turnarounds, maintenance and repairs on time. Moreover, extreme weather conditions may lead to disruptions in the Corporation's ability to transport its production, as well as goods and services in its supply chains. Extreme weather also increases the risk of damage to infrastructure and equipment and the risk of injury to the Corporation's personnel due to dangerous working conditions. Certain of the Corporation's properties are situated in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Corporation's assets. See *"Risk Factors – Seasonality and Extreme Weather"* in this MD&A.

Physical Risks – Chronic

Climate change has been linked to long-term shifts in climate patterns, including rising mean temperature and sea levels and long-term changes in precipitation patterns. As the level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns, long-term shifts in climate patterns pose the risk of exacerbating operational delays and other risks posed by seasonal weather patterns. In addition, long-term shifts in weather patterns such as water scarcity, increased frequency of storms and fires and prolonged heat waves may, among other things, require the Corporation to incur greater expenditures (time and capital) to deal with the challenges posed by such changes to its premises, operations, supply chain, transport needs and employee safety, which may in turn have a material adverse effect on the Corporation's business, operations and financial condition. In the event of water shortages or sourcing issues, the Corporation may not be able to, or will incur greater costs to, carry out hydraulic fracturing. See *"Risk Factors – Seasonality and Extreme Weather"* and *"Risk Factors – Hydraulic Fracturing"* in this MD&A.

Transition Risks – Reputational

The Corporation's business, financial condition, operations or prospects may be negatively impacted as a result of any negative public opinion towards the Corporation or as a result of any negative sentiment towards, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates, as well as their opposition to certain oil and natural gas projects.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels, which has influenced investors' willingness to invest in the oil and natural gas industry. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the financial community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses, while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop providing insurance coverage and financing to oil and natural gas companies and related infrastructure businesses and projects. The impact of such efforts may require the Corporation's management to dedicate significant time and resources to these climate change-related concerns and may adversely affect the Corporation's operations, the demand for and price of the common shares, the Corporation's cost of capital and the Corporation's access to the capital markets, which negative impact could prove to be material over time.

See *"Risk Factors – Changing Investor Sentiment", "Risk Factors – Public Opinion and Reputational Risk"* and *"Risk Factors – Public Opposition and Non-Governmental Organizations"* in this MD&A.

Transition Risks – Market

Concerns over climate change, fossil fuels, GHG emissions and water and land-use could lead to reduced demand for the oil, natural gas and NGLs that the Corporation produces, which would have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. See *"Risk Factors – Energy Transition and Alternatives to and Changing Demand for Petroleum Products"* in this MD&A.

Transition Risks – Regulatory and Policy

Foreign and domestic governments continue to evaluate and implement policy, legislation and regulations focused on restricting GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures.

Existing and future laws and regulations may impose significant liabilities for a failure to comply with their requirements. Concerns over climate change, fossil fuels, GHG emissions and water and land-use could lead to the enactment of more stringent laws and regulations applicable to the Corporation. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's business, financial condition, results of operations and prospects.

Adverse impacts to the Corporation's business as a result of GHG legislation may include, but are not limited to, increased compliance costs, permitting delays, increased operating costs and capital expenditures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses and, in the long-term, potentially reducing the demand for oil, natural gas and NGLs resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets or requiring impairments for financial statement purposes.

The Corporation's exploration and production facilities and other operations and activities emit GHGs which requires the Corporation to comply with applicable GHG emissions legislation. The Corporation is subject to TIER and may become subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. See *"Description of the Business – Environmental Protection Regulation and Costs"* in this MD&A.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to ESG and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment the proposed National Instrument 51-107 – *Disclosure of Climate Related Matters*, which is intended to introduce climate-related disclosure requirements for reporting issuers in Canada. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, lenders or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities, and raise capital may be adversely affected.

See *"Risk Factors – Regulatory", "Risk Factors – Environmental", "Risk Factors – Evolving Corporate Governance, Sustainability and Reporting Framework"* and "*Risk Factors – Carbon Pricing Risk"* in this MD&A.

Transition Risks – Legal

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities or other organizations may make claims against oil and natural gas companies, including the Corporation, for alleged personal injury, property damage or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Corporation, impact its operations and have an adverse effect on its financial condition, which could prove to be material. See *"Risk Factors – Litigation"* in this MD&A.

Transition Risks – Technology

The adoption of new technologies by the Corporation to deal with climate change could require a significant capital investment. Limitations related to the development, adoption and success of these technologies or the development of disruptive technologies may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. See *"Risk Factors – Cost of New Technologies"* in this MD&A.

Regulatory

Modification to current, or implementation of additional, regulations and the failure to obtain any necessary regulatory approvals could negatively impact the Corporation

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing, transportation, infrastructure and mergers and acquisitions). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties, the exportation of oil and natural gas, infrastructure projects and the transfer of assets pursuant to acquisition and divestiture activities. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce the demand for oil and natural gas, increase the Corporation's costs or make certain projects uneconomic, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

In order to conduct oil and natural gas operations, the Corporation requires regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities. Obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Indigenous consultation, environmental impact assessments and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions including, but not limited to, security deposit obligations, ongoing regulatory oversight of projects, mitigating or avoiding project impacts, environmental and habitat assessments and other commitments or obligations. The ongoing third-party challenges to regulatory decisions and orders have reduced the efficiency of the regulatory regime, as the implementation of the decisions and orders has been delayed resulting in uncertainty and interruption to the business of the oil and natural gas industry. There can be no assurance that the Corporation will be able to obtain all of the permits, licences, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake in the time required or on acceptable terms and conditions. Any failure to renew, maintain or obtain the required permits, licences, registrations, approvals and authorizations or the revocation or termination of the same may disrupt the Corporation's operations and have a material adverse effect on the Corporation's business and financial condition.

In addition, the Corporation may have to comply with the requirements of certain federal legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada), which may adversely affect its business and financial condition and the market value of its common shares or assets, particularly when undertaking, or attempting to undertake, an acquisition or disposition.

Environmental

Compliance with environmental regulations requires the dedication of a portion of the Corporation's financial and operational resources

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects and restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and/or result in operational restrictions. A breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. In addition, a breach may result in the suspension or revocation of necessary licences and authorizations and/or the Corporation being subject to interim compliance measures, all of which may restrict the Corporation's ability to conduct operations. Further, the Corporation could be subject to civil liability for pollution damage. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Although the Corporation believes that it is in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

In addition, new environmental legislation may increase uncertainty among oil and natural gas participants as the new legislation is implemented. The implementation of new environmental legislation or the modification of existing legislation affecting the oil and natural gas industry generally could reduce the demand for oil and natural gas and increase costs. See *"Risk Factors – Climate Change"* in this MD&A.

Changing Investor Sentiment

Changing investor sentiment towards the oil and natural gas industry may impact the Corporation's access to, and cost of, capital

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and Indigenous rights, have affected certain investors', lenders' and insurers' sentiments towards investing in, lending to and insuring participants in, the oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors, lenders and insurers have announced that they no longer are willing to fund or invest in, lend to or insure oil and natural gas properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors, lenders and insurers are requesting that issuers develop and implement more robust ESG policies and practices and make related disclosures. Developing and implementing such policies and practices, and making such related disclosures, can involve significant costs and require a significant time commitment from the Corporation's Board, management and employees. Failing to implement the policies and practices, and make the related disclosures, as requested by institutional investors, lenders and insurers, may result in such investors reducing their investment in or loan to the Corporation, or not investing in or lending to the Corporation at all, or such insurers refusing to insure the Corporation. Any reduction in the investor, lender or insurance base interested or willing to invest in, lend to or insure participants in the oil and natural gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to, or increasing the cost of, capital or insurance and decreasing the price and liquidity of the common shares, even if the Corporation's operating results, underlying asset values or prospects have not changed or improved.

Public Opinion and Reputational Risk

The Corporation relies on its reputation to continue its operations and to attract and retain investors and employees

The Corporation's business, financial condition, operations and prospects may be negatively impacted as a result of any negative public opinion towards the Corporation or as a result of any negative sentiment towards, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates, as well as their opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences, increased costs and/or cost overruns and reduced access to (or an increase in the cost of) capital, credit and/or insurance. See *"Risk Factors – Public Opposition and Non-Governmental Organizations"* in this MD&A.

Any environmental damage, loss of life, injury or damage to property caused by the Corporation's operations could damage its reputation. Negative sentiment towards the Corporation could result in a lack of willingness of governmental authorities to grant the necessary licences or permits for the Corporation to operate its business. In addition, negative sentiment towards the Corporation could result in the residents of the areas where the Corporation is doing business opposing further operations in the area by the Corporation. If the Corporation develops a reputation of having an unsafe workplace, this may impact its ability to attract and retain the necessary skilled employees and consultants to operate its business. Further, the Corporation's reputation and public opinion could be affected by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Corporation has no control. In addition, opposition from special interest groups opposed to oil and natural gas development and the possibility of climate-related litigation against governments and fossil fuel companies may harm the Corporation's reputation. See *"Risk Factors – Climate Change"* in this MD&A.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment towards the Corporation, which may result in limiting the Corporation's access to, or increasing the cost of, capital, credit and/or insurance and decreasing the price and liquidity of the common shares.

Public Opposition and Non-Governmental Organizations

The oil and natural gas industry and the Corporation may be subject to public opposition and other actions by non-governmental organizations

The oil and natural gas industry may, at times, be subject to public opposition. The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development, particularly with respect to infrastructure projects. Public opposition could expose the Corporation to the risk of higher costs, operational delays and disruptions or even project cancellations due to increased pressure on governments and regulators by special interest groups, which may include Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations. Potential impacts of such pressure and opposition include blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of federal, provincial or municipal governments, and delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences, as well as direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require significant and unanticipated capital and operating expenditures, which may negatively impact the Corporation's business, financial condition, results of operations and prospects.

In addition, the Corporation's oil and natural gas properties, wells and facilities or the third-party facilities and pipelines utilized by the Corporation could be the subject of a terrorist attack. If any of such properties, wells or facilities are the subject of terrorist attack, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Energy Transition and Alternatives to and Changing Demand for Petroleum Products

The global energy transition to a low-carbon economy, changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect the Corporation's business, financial condition, results of operations and cash flow

A transition away from the use of petroleum products, which may include fuel conservation measures, alternative fuel requirements, electric vehicle mandates, increasing consumer demand for alternatives to oil, natural gas and NGLs and technological advances in fuel economy and renewable energy, could reduce the demand for oil and natural gas. Certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil, natural gas and NGLs products. The Corporation cannot predict the impact of the changing demand for oil, natural gas and NGLs products and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flow by decreasing the Corporation's profitability, increasing its costs, limiting its access to capital or decreasing the value of its assets.

In addition, the Corporation may invest in technologies and other opportunities related to energy transition, which may involve investments in businesses, operations or assets relating to renewable or other alternative forms of energy. Such investments may involve certain risks and uncertainties in addition to those identified herein in respect of the Corporation's existing business, operations and assets, including the obligation to comply with additional regulatory and other legal requirements associated with such businesses, operations or assets and the potential requirement for additional sources of capital to make, develop and/or maintain such investments and the Corporation's ability to access such sources of capital. In the event the Corporation were to complete such investments, there can be no guarantee that the Corporation will realize a return on those investments or businesses, operations or assets that is similar to the returns it receives in respect of its existing business, operations and assets.

Evolving Corporate Governance, Sustainability and Reporting Framework

Evolving corporate governance, sustainability and reporting framework may increase both compliance costs and the risk of non-compliance that may have an adverse effect on the Corporation

The Corporation's business is subject to evolving corporate governance and public disclosure regulations that have increased both compliance costs and the risk of non-compliance, which could have an adverse effect on the Corporation's costs of doing business. The Corporation is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity, making compliance more difficult and uncertain. Further, the Corporation's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Credit Facilities

The Corporation's borrowing base under the Credit Facilities could be redetermined and the Corporation could fail to comply with covenants under the Credit Facilities, resulting in restricted access to capital or a requirement to repay all amounts owing thereunder

The amount authorized under the Credit Facilities is dependent on the borrowing base determined by the Corporation's lenders. The Credit Facilities are subject to semi-annual reviews of the borrowing base limit by Birchcliff's syndicate of lenders, which limit is directly impacted by the value of Birchcliff's oil, natural gas and NGLs reserves. The Corporation's lenders use the Corporation's reserves, commodity prices and other factors to determine the Corporation's borrowing base. A decline in commodity prices could result in a reduction in the Corporation's borrowing base, thereby reducing the funds available to the Corporation under the Credit Facilities. As the borrowing base is determined based on the lender's interpretation of the Corporation's reserves and future commodity prices, there can be no assurance as to the amount of the borrowing base determined at each review.

In addition to the semi-annual reviews of the borrowing limit, the lenders under the Credit Facilities have the right to redetermine the borrowing base limit in certain other circumstances. In the event that: (i) the Corporation, any material subsidiary of the Corporation or any of its borrowing base properties become subject to an abandonment/reclamation order by an energy regulator where the aggregate estimated current cost to the Corporation and its material subsidiaries to comply with all outstanding orders exceeds 10% of the borrowing base; or (ii) the liability management rating (as such term is defined in the agreement governing the Credit Facilities) of the Corporation or any material subsidiary is less than 2.0, then, unless agreed to by all of the lenders, a redetermination of the borrowing base shall be completed within 45 days of receipt by the Corporation or the applicable material subsidiary of such order or demand in the case of (i) above, and of receipt by the agent of notice that the liability management rating is less than 2.0 in the case of (ii) above. Further, a majority of lenders have the right once per year to redetermine the borrowing base in between scheduled redeterminations and the borrowing base may also be reduced in connection with asset dispositions.

If, at the time of a borrowing base redetermination, the outstanding borrowings under the Credit Facilities were to exceed the borrowing base as a result of any such redetermination, the Corporation would be required to make principal repayments or otherwise eliminate the borrowing base shortfall. If the Corporation is forced to repay a portion of its indebtedness under the Credit Facilities, it may not have sufficient funds to make such repayments. If it does not have sufficient funds and is otherwise unable to negotiate renewals of its borrowings or arrange new financing, it may have to sell significant assets. Any such sale could have a material adverse effect on the Corporation’s business and financial results.

The maturity date of the Credit Facilities is currently May 11, 2025. The Corporation may each year, at its option, request an extension to the maturity date of the Syndicated Credit Facility and the Working Capital Facility, or either of them, for an additional period of up to three years from May 11 of the year in which the extension request is made. In the event that either of the Credit Facilities is not extended before the maturity date, all outstanding indebtedness under such Credit Facility will be repayable at the maturity date. There is also a risk that the Credit Facilities will not be renewed for the same principal amount or on the same terms. Any of these events could adversely affect the Corporation’s ability to fund its ongoing operations and to pay dividends.

The Corporation is required to comply with covenants under the Credit Facilities. In the event that the Corporation does not comply with these covenants, the Corporation’s access to capital could be restricted or repayment could be required. Events beyond the Corporation’s control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in an event of default under the Credit Facilities, which could result in the Corporation being required to repay amounts owing thereunder and may prevent the payment of dividends to shareholders. The acceleration of the Corporation’s indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, the Credit Facilities impose certain restrictions on the Corporation, including, but not limited to, restrictions on the payment of dividends, incurring of additional indebtedness, dispositions of properties and the entering into of amalgamations, mergers, plans of arrangements, reorganizations or consolidations with any person. The Credit Facilities do not currently contain any financial maintenance covenants; however, there is no assurance that the Corporation’s lenders will not impose any such covenants on the Corporation in the future. Any such covenants may either affect the availability or price of additional funding.

If the Corporation’s lenders require repayment of all or portion of the amounts outstanding under the Credit Facilities for any reason, including for a default of a covenant, there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under the Credit Facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under the Credit Facilities, the lenders under the Credit Facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Issuance of Debt

Increased debt levels may impair the Corporation's ability to borrow additional capital on a timely basis to fund opportunities as they arise

From time to time, the Corporation may finance its activities (including asset acquisitions) in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise and may adversely affect the market price of the common shares.

Risk Management Activities

Risk management activities expose the Corporation to the risk of financial loss and counter-party risk

From time to time, the Corporation may enter into physical or financial agreements to receive fixed prices on its oil, natural gas and NGLs production to offset the risk of revenue losses if commodity prices decline. Similarly, the Corporation may enter into agreements to fix the differential or discount pricing gap which exists and may fluctuate between different grades of oil, natural gas and NGLs and the various market prices received for such products. However, to the extent that the Corporation engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Corporation's risk management arrangements expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the contracted volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the arrangement;
- the counterparties to the arrangements or other risk management contracts fail to perform under those arrangements; and/or
- a sudden unexpected material event impacts oil and natural gas prices.

On the other hand, a failure to diversify commodity prices into different markets exposes the Corporation to reduced liquidity when prices decline in a single market. A sustained lower commodity price environment in that single market would result in lower realized prices for undiversified volumes and reduce the prices at which the Corporation would enter into derivative contracts on future volumes. This could make such diversification transactions unattractive, and, as a result, some or all of the Corporation's production volumes forecasted for the current fiscal year and beyond may not be protected by derivative arrangements.

Similarly, the Corporation may enter into agreements to fix the exchange rate of Canadian dollars to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Corporation will not benefit from the fluctuating exchange rate.

Further, the Corporation may enter into arrangements to fix interest rates applicable to the Corporation's debt. However, if interest rates decrease as compared to the interest rate fixed by the Corporation, the Corporation will not benefit from the lower interest rate.

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting the Corporation's financial position. The Corporation's operations are *dependent upon the availability of water and its ability to dispose of produced water from drilling and production activities*

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under high pressure into tight rock formations that were previously unproductive to stimulate the production of oil, NGLs and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing has resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity or completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third-party or governmental claims and could increase the Corporation's costs of compliance and doing business, as well as delay the development of oil, NGLs and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could reduce the amount of oil, natural gas and NGLs that the Corporation is ultimately able to produce from its reserves and/or result in the Corporation being unable to economically recover certain of its oil, natural gas and NGLs reserves, which in either case could result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on its financial condition, results of operations and cash flows.

In addition, the Corporation must dispose of the fluids produced from oil, natural gas and NGLs production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities. See *"Risk Factors – Disposal of Fluids Used in Operations"* in this MD&A.

Government authorities may issue orders to shut down or curtail the injection depth of existing wells in the vicinity of seismic events. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that the Corporation may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates and pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Minor earthquakes are common in certain parts of Alberta. Since 2015, the Alberta Energy Regulator (the "**AER**") has introduced seismic protocols for hydraulic fracturing operators in the Seismic Protocol Regions initially in response to significant induced seismic activity in the Duvernay formation in Fox Creek. The AER may extend seismic protocols to other areas of the province if necessary, which may adversely affect the Corporation's operations.

Disposal of Fluids Used in Operations

Regulations regarding the disposal of fluids used in operations may increase costs of compliance or subject the Corporation to regulatory penalties or litigation

The safe disposal of hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the Corporation's costs of compliance which may impact the economics of certain projects and, in turn, impact activity levels and new capital spending on the Corporation's oil and natural gas properties.

Competition

The Corporation competes with other oil and natural gas companies, some of which have greater financial and operational resources or other competitive advantages

The oil and natural gas industry is highly competitive in all of its phases. The Corporation competes with numerous other entities in the exploration, development, production and marketing of oil, natural gas and NGLs, including land, acquisitions of reserves, access to drilling and service rigs and other equipment, access to transportation and access to skilled technical and operating personnel. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil, natural gas and NGLs on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. To a lesser extent, the Corporation also faces competition from companies that supply alternative sources of energy, such as wind and solar power. Other factors that could affect competition in the marketplace include additional discoveries of hydrocarbon reserves by our competitors, the cost of production, and political and economic factors and other factors outside of the Corporation's control.

Carbon Pricing Risk

Taxes on carbon emissions affect the demand for oil and natural gas and the Corporation's operating expenses and may impair the Corporation's ability to compete

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the Federal Government has implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system, which was upheld by the Supreme Court of Canada as constitutional, currently applies in provinces and territories without their own system that meets federal standards.

Any taxes placed on carbon emissions may have the effect of decreasing the demand for oil, natural gas and NGLs products and at the same time, increasing the Corporation's operating expenses, each of which may have a material adverse effect on the Corporation's profitability and financial condition. Further, the imposition of carbon taxes puts companies at an economic disadvantage with their counterparts who operate in jurisdictions where there are less costly carbon regulations. See *"Risk Factors – Climate Change"* and *"Risk Factors – Environmental"* in this MD&A.

Uncertainty of Reserves Estimates

The Corporation's estimated reserves are based on numerous factors and assumptions which may prove incorrect and which may affect the Corporation

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and the future net revenue attributed to such reserves. In general, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net revenue therefrom are based upon a number of variable factors and assumptions, such as commodity prices, historical production from the properties, production rates, ultimate reserves recovery, the timing and amount of capital expenditures, marketability of oil, natural gas and NGLs, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For these reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, the classification of such reserves based on risk of recovery and estimates of future net revenue associated with reserves prepared by different engineers, or by the same engineer at different times, may vary. The Corporation's actual production, revenue, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved and probable reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws in Canada, the Corporation's independent qualified reserves evaluator has used forecast prices and costs in estimating the reserves and future net revenue as summarized herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil, natural gas and NGLs, curtailments or increases in consumption by oil, natural gas and NGLs purchasers, changes in governmental regulations or taxation and the impact of inflation on costs.

Actual production and cash flow derived from the Corporation's reserves will vary from the estimates contained in the Corporation's independent reserves evaluation and such variations could be material. The independent reserves evaluation is based in part on the assumed success of activities the Corporation intends to take in future years. The reserves and estimated future net revenue to be derived therefrom and contained in the Corporation's independent reserves evaluation will be reduced to the extent that such activities are not undertaken or, if undertaken, do not achieve the level of success assumed in the evaluation.

Variations in Foreign Exchange Rates and Interest Rates

Variations in foreign exchange rates and interest rates could adversely affect the Corporation's financial condition

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar may negatively affect the Corporation's production revenue. Accordingly, Canadian/United States exchange rates could impact the future value of the Corporation's reserves as determined by independent reserves evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil, natural gas and NGLs production, it could also result in an increase in the price for certain goods used for the Corporation's operations, which may have a negative impact on the Corporation's financial results.

To the extent that the Corporation engages in risk management activities related to foreign exchange and interest rates, there are risks associated with such activities. See *"Risk Factors – Risk Management Activities"* in this MD&A.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its exploration and development activities and the cash available for dividends and could negatively impact the market price of the common shares.

Seasonality and Extreme Weather

Oil and natural gas operations are subject to seasonal conditions and extreme weather and the Corporation may experience significant operational delays as a result

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable, which may prevent, delay or make operations more difficult. Consequently, municipalities and provincial transportation departments may enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of the Corporation's production if not otherwise tied-in. In addition, certain oil and natural gas producing properties are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Further, extreme cold weather, heavy snowfall and heavy rainfall may restrict the Corporation's ability to access its properties, cause operational difficulties and delays, damage infrastructure or equipment and contribute to personnel injury because of dangerous working conditions.

The Corporation’s operations are susceptible to the impacts of wildfires and flooding. In addition to the loss of revenue that would result from the loss of production if the Corporation’s operations were affected by wildfires and/or flooding, the Corporation would incur delays and expenses responding to such events, repairing damaged equipment and resuming operations. Although the Corporation’s insurance policies may compensate it for part of the Corporation’s losses, they will not compensate the Corporation for all of its losses. In addition, wildfires and/or flooding consume both financial resources and management and employee time.

Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and also to volatility in commodity prices as the demand for natural gas typically fluctuates during cold winter months and hot summer months.

Asset Concentration

All of the Corporation’s properties are located on the Montney/Doig Resource Play in Alberta, making the Corporation vulnerable to risks associated with having its production concentrated in one area

All of the Corporation’s producing properties are geographically concentrated on the Montney/Doig Resource Play in Alberta. As a result of this concentration, the Corporation may be disproportionately exposed to the impact of delays or interruptions of production from that area caused by transportation capacity constraints, curtailment of production, natural disasters, availability of equipment, facilities or services, adverse weather conditions or other events which impact that area. Due to the concentrated nature of the Corporation’s portfolio of properties, a number of the Corporation’s properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on the Corporation’s results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on the Corporation’s financial condition and results of operations.

In addition, industry activity is high in the Corporation’s areas of operations, as are the demand for and costs of personnel, equipment, power, services and resources. Any delay or inability to secure the necessary personnel, equipment, power, services and resources could result in the Corporation’s actual production volumes being below its forecasted production volumes, which could have a material adverse effect on the Corporation’s financial condition, results of operations, cash flow and profitability.

Cost of New Technologies

The Corporation’s ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete

The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and natural gas companies may have greater financial, technical and personnel resources that allow them to implement and benefit from new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Corporation implements such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation’s business, financial condition, results of operations and prospects could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology or is unsuccessful in implementing certain technologies, its business, financial condition, results of operations and prospects could also be materially adversely affected.

Reliance on a Skilled Workforce and Key Personnel

An inability to recruit and retain a skilled workforce and key personnel could negatively impact the Corporation

The operations and management of the Corporation require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Corporation’s business plans, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. In addition, the decline in market conditions in recent years has resulted in a significant number of skilled personnel exiting the oil and natural gas industry and fewer young people entering the industry. Contributions of the existing management team to the immediate and near-term operations of the Corporation are likely to be of central importance. In addition, certain of the Corporation's current employees have significant institutional knowledge that must be transferred to other employees prior to their departure from the Corporation. If the Corporation is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, the Corporation could be negatively impacted. In addition, the Corporation could experience increased costs to retain and recruit these professionals.

Information Technology Systems and Cyber-Security

A disruption of information technology services or a cyber-security breach may adversely affect the Corporation

The Corporation has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure to conduct daily operations. The Corporation depends on various information technology systems to estimate reserves, process and record financial data, manage its financial resources and land base, analyze seismic information, administer its contracts with its operators and lessees and communicate with employees, consultants, securityholders and other stakeholders, regulators and other third parties.

In the event the Corporation is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve the efficiency and efficacy of its information technology systems, the operation of such systems could be interrupted or result in the loss, corruption or release of data. Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to its business activities or its competitive position. In addition, cyber-phishing attempts, in which a malicious party disguising themselves as a trustworthy entity in an electronic communication attempts to obtain sensitive information such as usernames, passwords, credit card or banking details (and money) or to have phony wire transfer or cheque requests approved, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim to a cyber-phishing attack, it could result in a loss or theft of the Corporation's financial resources or critical data and information or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

In addition to the oversight provided by the Corporation's Information Technology Committee, there is further reporting on the Corporation's information technology and cyber-security risks to the Board. Further, the Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and the Corporation periodically conducts cyber-security risk assessments and education and training for its employees. Despite the Corporation's efforts to mitigate such cyber-phishing attacks through education and training, cyber-phishing activities remain a serious problem that may damage its information technology infrastructure. The Corporation applies technical and process controls in line with industry-accepted standards to protect its information assets and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Corporation's performance, earnings and its reputation and any damages sustained may not be adequately covered by the Corporation's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

To date, the Corporation has not been subject to a cyber-security attack or other breach that has had a material impact on its business or operations or resulted in material losses to the Corporation; however, there is no assurance that the measures the Corporation takes to protect its business systems and operational control systems will be effective in protecting against a breach in the future and that the Corporation will not incur such losses in the future.

Insurance

Not all risks are insurable and the occurrence of an uninsurable event may have a material adverse effect on the Corporation

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blowouts, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, the Corporation's inability to obtain insurance against one or more risks at acceptable premiums or at all or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

Litigation

The Corporation may be involved in litigation in the course of its normal operations and the outcome of the litigation may adversely affect the Corporation and its reputation

In the normal course of the Corporation's operations, it may become involved in, be named as a party to or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Such proceedings may develop in relation to personal injury (including claims resulting from exposure to hazardous substances), property damage, property taxes, land and access rights, royalty rights, environmental issues (including claims relating to contamination), securities law matters, employment matters and lease and contractual disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and, as a result, could have a material adverse effect on the Corporation's business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Corporation's business operations, which may adversely affect the Corporation.

Due to the rapid development of oil and natural gas technology, the Corporation may become involved in, be named as a party to or be the subject of, various legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or conversely, the Corporation may commence lawsuits against others who the Corporation believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to: (i) pay substantial damages; (ii) cease the use of infringing intellectual property; (iii) expend significant resources to develop or acquire non-infringing intellectual property; (iv) discontinue processes incorporating infringing technology; or (v) obtain licences to the infringing intellectual property. However, the Corporation may not be successful in such development or acquisition or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Indigenous Land and Rights Claims

Indigenous land and rights claims and opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploratory activities may negatively impact the Corporation

Opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploratory activities may negatively impact the Corporation in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact the Corporation's progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of Canada. There are outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on the lands where the Corporation operates. Such claims, if successful, could have a material adverse impact on the Corporation's ability to operate on such lands, which could in turn have a material adverse impact on the Corporation's financial condition, results of operations and/or growth plans.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect the Corporation's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, regulatory authorities in British Columbia ceased granting approvals, and, in some cases, revoked existing approvals, for, among other things, oil and natural gas activities relating to drilling, completions, testing, production and transportation infrastructure following the decision in *Yahey v British Columbia* (the "**Blueberry Decision**") that the cumulative impacts of government-sanctioned industrial development on the traditional territories of the Blueberry River First Nation (the "**BRFN**") in Northeast British Columbia breached that group's treaty rights. Although the Corporation does not have any assets in British Columbia, the BRFN may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties. For example, in July 2022, Duncan's First Nation filed a lawsuit against the Government of Alberta relying on similar arguments to those advanced successfully by the BRFN. While a settlement between the British Columbia government and BRFN was recently entered into and the regulatory authorities have resumed granting certain approvals for oil and natural gas activities in British Columbia, the long-term impacts of, and associated risks with, the Blueberry Decision and the Duncan's First Nation lawsuit on the Canadian oil and natural gas industry remain uncertain.

In addition, Canada is a signatory to the *United Nations Declaration on the Rights of Indigenous Peoples* ("**UNDRIP**") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and natural gas industry in Western Canada. In November 2019, the *Declaration on the Rights of Indigenous Peoples Act* ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, the *United Nations Declaration on the Rights of Indigenous Peoples Act* (the "**UNDRIP Act**") came into force in Canada. Similar to British Columbia's DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as the DRIPA and the UNDRIP

Act are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines.

Credit Risk

The Corporation is exposed to credit risk through its contractual arrangements and its third-party operators or partners of properties in which it has an interest

The Corporation may be exposed to third-party credit risk through its contractual arrangements with joint venture partners, marketers of its oil, natural gas and NGLs production, counterparties to its risk management contracts and other parties. In addition, the Corporation may be exposed to third-party credit risk from operators of properties in which the Corporation has a working or royalty interest and from purchasers of assets from the Corporation for various liabilities, including well abandonment and reclamation obligations assumed by the purchasers. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The use of risk management contracts involves the risk that the counterparties will be unable to meet the financial terms of such transactions. The Corporation is unable to predict changes in a counterparty's creditworthiness or ability to perform. Even if the Corporation accurately predicts such changes, its ability to negate this risk may be limited depending upon market conditions and the contractual terms of the agreements. During periods of high volatility in commodity prices, the Corporation's derivative receivable positions may increase, which would increase the Corporation's counterparty credit exposure. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

Conversely, the Corporation's counterparties may deem the Corporation to be at risk of defaulting on its contractual obligations. These counterparties may require that the Corporation provide additional credit assurance by prepaying anticipated expenses or posting letters of credit, which would decrease the Corporation's available liquidity.

Title to and Right to Produce from Assets

Defects in the Corporation's title or rights to produce from its properties may result in a financial loss

The Corporation's actual title to and interest in its properties, and its right to produce and sell the oil, natural gas and NGLs therefrom, may vary from the Corporation's records. Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. In addition, there may be valid legal challenges or legislative changes that affect the Corporation's title to and right to produce from its oil and natural gas properties, which could impair the Corporation's activities on them and result in a reduction of the revenue received by the Corporation.

If a defect exists in the chain of title or in the Corporation's right to produce, or a legal challenge or legislative change arises, it is possible that the Corporation may lose all or a portion of the properties to which the title defect relates and/or its right to produce from such properties. This may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

The Corporation, or its working interest partners, may fail to meet the requirements of a licence or lease, causing its termination or expiry

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases held by others. If the Corporation or the holder of the licence or lease fails to meet the specific requirements of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the business, financial condition, results of operations and prospects of the Corporation.

Operational Dependence

The Corporation is subject to risk as it pertains to other parties operating assets it has an interest in

Other companies operate some of the assets in which the Corporation has an interest. The Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's business, financial condition, results of operations and prospects. The Corporation's return on assets operated by others depends upon a number of factors that may be outside of the Corporation's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, companies that may operate some of the assets in which the Corporation has an interest may be in or encounter financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Corporation has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Corporation may be required to satisfy such obligations and to seek recourse from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Corporation potentially becoming subject to additional liabilities relating to such assets and the Corporation having difficulty collecting revenue due to it from such operators or recovering amounts owing to the Corporation from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Corporation's financial and operational results.

Risks Associated with Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved and the Corporation may dispose of certain assets for less than their carrying value on the financial statements

The Corporation considers acquisitions and dispositions of assets in the ordinary course of business. Typically, once an acquisition opportunity is identified, a review of available information relating to the assets is conducted. There is a risk that even a detailed review of records and assets may not necessarily reveal every existing or potential problem, nor will it permit the Corporation to become sufficiently familiar with the assets to fully assess their deficiencies and potential. There is no guarantee that defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Inspections may not always be performed on every well and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the Corporation may assume certain environmental and other risk liabilities in connection with acquired assets.

In addition, acquisitions of oil and natural gas properties or companies are based in part on engineering, environmental and economic assessments. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Corporation. All such assessments involve a measure of geological, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses and assets may require substantial management effort, time and resources, diverting management's focus away from other strategic opportunities and operational matters, and may also result in the loss of key employees, the disruption of ongoing business, supplier, customer and employee relationships and deficiencies in internal controls or information technology controls.

Management continually assesses the value and contribution of the various assets within its portfolio. In this regard, certain assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on market conditions for such assets, there is a risk that certain assets of the Corporation could realize less than their carrying value on the Corporation's financial statements.

Management of Growth and Integration

The Corporation may not be able to effectively manage the growth of its business

The Corporation may be subject to both integration and growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to effectively manage growth and the integration of additional assets will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to effectively deal with this integration and growth could have a material adverse impact on its business, financial condition, results of operations and prospects.

Liability Management

Liability management programs enacted by regulators may prevent or interfere with the Corporation's ability to acquire properties or require a substantial cash deposited with the regulator

Alberta has developed a liability management program designed to prevent taxpayers from incurring costs associated with the suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licencee or permit holder is unable to satisfy its regulatory obligations. The AER continues to implement the Liability Management Framework (the "**AB LM Framework**"), completing the remaining amendments to the necessary directive and regulations to entirely phase-out Alberta's Liability Management Rating Program. The implementation of the AB LM Framework or other changes to the requirements of liability management programs may result in significant increases to the security that must be posted, increased and more frequent financial disclosure obligations or the denial of licence or permit transfers, which could impact the availability of capital to be spent by the Corporation. In addition, the AB LM Framework may prevent or interfere with the Corporation's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the AER to allow for the transfer of such assets.

Internal Controls

Material weaknesses in the Corporation's internal controls may negatively affect the Corporation and the market price of the common shares

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's financial statements and negatively impact the market price of the common shares.

Royalty Regimes

Changes to royalty regimes may negatively impact the Corporation's cash flow

There can be no assurance that the Government of Alberta will not adopt a new royalty regime or modify the existing royalty regime, which may have an impact on the economics of the Corporation's projects. An increase in royalties would reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic or uneconomic.

Negative Impact of Additional Sales or Issuances of Securities

The Corporation may issue additional securities, diluting current shareholders

The Corporation may issue an unlimited number of common shares without any vote or action by the shareholders, subject to the rules of any stock exchange on which the Corporation's securities may be listed. The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation. If the Corporation issues additional securities, the percentage ownership of existing shareholders will be reduced and diluted and the market price of the common shares could decrease.

Breaches of Confidentiality

Breach of confidentiality by a third party could impact the Corporation's competitive advantage or put it at risk of litigation

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Conflicts of interest may arise for the Corporation's directors and officers

Certain of the Corporation's directors and officers are engaged in, and will continue to engage in, other activities in the oil and natural gas industry and as a result, may become subject to conflicts of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract or a material transaction or proposed material transaction, with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract or transaction, unless otherwise permitted under the ABCA.

Income Taxes

Taxation authorities may reassess the Corporation's tax returns

The Corporation files all required income tax returns and believes that it is in compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, such reassessment may have an impact on current and future taxes payable.

Income tax laws or other laws or government incentive programs relating to the oil and natural gas industry, such as the treatment of resource taxation, dividends, share repurchases or capital gains, may in the future be changed or interpreted in a manner that adversely affects the Corporation and/or its shareholders. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment and/or the detriment of its shareholders.

Additional Taxation Applicable to Non-Residents

Non-resident shareholders are required to pay additional taxes on their dividends

Tax legislation in Canada may impose withholding or other taxes on the cash dividends, stock dividends or other property transferred by the Corporation to non-resident shareholders. These taxes may be reduced pursuant to tax treaties between Canada and the non-resident shareholder's jurisdiction of residence. Evidence of eligibility for a reduced withholding rate must be filed by the non-resident shareholder in prescribed form with their broker (or in the case of registered shareholders, with the transfer agent). In addition, the country in which the non-resident shareholder is resident may impose additional taxes on such dividends. Any of these taxes may change from time to time.

Foreign Exchange Risk for Non-Resident Shareholders

Variations in foreign exchange rates may affect the amount of cash dividends received by shareholders who receive dividends in currencies other than Canadian dollars

The Corporation’s cash dividends are declared in Canadian dollars and may be converted in certain instances to foreign denominated currencies at the spot exchange rate at the time of payment. As a consequence, non-resident shareholders and shareholders who calculate their return in currencies other than the Canadian dollar are subject to foreign exchange risk. To the extent that the Canadian dollar strengthens with respect to their currency, the amount of any dividend will be reduced when converted to the shareholder’s home currency.

Social Media

The Corporation faces compliance and supervisory challenges in respect of the use of social media as a means of communicating

Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Corporation’s systems and obtain confidential information. As social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

Expansion into New Activities

Expanding the Corporation’s business may expose it to new risks and uncertainties

The operations and expertise of the Corporation’s management are currently focused on oil and natural gas production, exploration and development on the Montney/Doig Resource Play in Alberta. In the future, the Corporation may acquire or move into new industry-related activities or new geographical areas or may acquire different energy-related assets, and as a result, the Corporation may face unexpected risks or alternatively, the Corporation’s exposure to one or more existing risk factors may be significantly increased, which may in turn result in the Corporation’s future operational and financial condition being adversely affected.

Forward-Looking Information

Forward-looking information may prove inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation’s forward-looking statements. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties relating to forward-looking statements is found under the heading *“Advisories – Forward-Looking Statements”* in this MD&A.

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
MMboe	million barrels of oil equivalent
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
OPEC	Organization of the Petroleum Exporting Countries
P&NG	petroleum and natural gas
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. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP financial 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 debt repayment, 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 most directly comparable GAAP financial measure to adjusted funds flow, free funds flow and excess free funds flow is cash flow from operating activities. The following table provides a reconciliation of cash flow from operating activities to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

	Three months ended December 31,		**Twelve months ended December 31,**		
($000s)	**2022**	**2021**	**2022**	**2021**	**2020**
Cash flow from operating activities	**224,447**	**196,142**	**925,275**	**515,369**	**188,180**
Change in non-cash operating working capital	(7,919)	(4,255)	25,662	21,161	(5,977)
Decommissioning expenditures	571	1,762	2,746	3,203	2,323
Adjusted funds flow	**217,099**	**193,649**	**953,683**	**539,733**	**184,526**
F&D capital expenditures	(106,762)	(35,726)	(364,621)	(230,479)	(287,967)
Free funds flow	**110,337**	**157,923**	**589,062**	**309,254**	**(103,441)**
Dividends on common shares	(58,503)	(2,646)	(71,788)	(6,639)	(10,968)
Excess free funds flow	**51,834**	**155,277**	**517,274**	**302,615**	**(114,409)**

Birchcliff has disclosed full-year 2023 guidance for adjusted funds flow, free funds flow and excess free funds flow, which are forward-looking non-GAAP financial measures (see "*2023 Guidance"* in this MD&A). The equivalent historical non-GAAP measures are adjusted funds flow, free funds flow and excess free funds flow for the twelve months ended December 31, 2022. 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, 2022. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts for the twelve months ended December 31, 2022, primarily due to lower anticipated benchmark oil and natural gas prices which are expected to decrease the average realized sales prices the Corporation receives for its production. The forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023. The commodity price assumptions on which the Corporation's guidance is based are set forth in the table under the heading *"2023 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, redemption of capital securities, redemption of perpetual 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. The most directly comparable GAAP financial measure to capital resources is cash flow from operating activities. Please refer *to "Capital Resources and Liquidity"* in this MD&A for the reconciliation of cash flow from operating activities to capital resources.

FD&A and Total Capital Expenditures

Birchcliff defines "FD&A capital expenditures" as exploration and development expenditures 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 most directly comparable GAAP financial measure to FD&A capital expenditures and total capital expenditures is exploration and development expenditures. The following table provides a reconciliation of exploration and development expenditures to FD&A capital expenditures and total capital expenditures for the periods indicated:

	Three months ended December 31,		**Twelve months ended December 31,**		
($000s)	**2022**	**2021**	**2022**	**2021**	**2020**
Exploration and development expenditures(1)	**106,762**	**35,726**	**364,621**	**230,479**	**287,967**
Acquisitions	-	56	2,348	283	-
Dispositions	-	-	(315)	-	(12,877)
FD&A capital expenditures	**106,762**	**35,782**	**366,654**	**230,762**	**275,090**
Administrative assets	709	293	1,576	1,718	1,695
Total capital expenditures	**107,471**	**36,075**	**368,230**	**232,480**	**276,785**

(1) Disclosed as F&D capital expenditures elsewhere in this MD&A. See "*Advisories*" in this MD&A.

Transportation and Other Expense and Marketing Loss (Gain)

Birchcliff defines "transportation and other expense" as transportation expense plus marketing loss (less 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 loss (gain) assists management and investors in assessing the success of Birchcliff's marketing arrangements. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to marketing loss (gain) and transportation and other expense for the periods indicated:

	Three months ended December 31,		**Twelve months ended December 31,**	
($000s)	**2022**	**2021**	**2022**	**2021**
Transportation expense	**38,793**	**37,454**	**155,864**	**151,263**
Marketing purchases	9,529	5,413	17,866	18,034
Marketing revenue	(8,916)	(6,169)	(18,806)	(20,722)
Marketing loss (gain)	**613**	**(756)**	**(940)**	**(2,688)**
Transportation and other expense	**39,406**	**36,698**	**154,924**	**148,575**

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 its Pouce Coupe assets, Gordondale assets and on a corporate basis for the periods indicated:

	Three months ended December 31,		Twelve months ended December 31,	
($000s)	**2022**	**2021**	**2022**	**2021**
Petroleum and natural gas revenue	201,550	177,900	866,991	568,253
Royalty expense	(21,092)	(14,716)	(86,987)	(38,721)
Operating expense	(16,120)	(12,904)	(54,037)	(45,112)
Transportation and other expense	(25,414)	(24,054)	(102,331)	(99,202)
Operating netback – Pouce Coupe assets	**138,924**	**126,226**	**623,636**	**385,218**
Petroleum and natural gas revenue	118,449	111,881	471,803	364,048
Royalty expense	(14,575)	(13,736)	(74,164)	(37,549)
Operating expense	(13,578)	(12,395)	(46,967)	(46,188)
Transportation and other expense	(13,946)	(12,643)	(52,422)	(49,367)
Operating netback – Gordondale assets	**76,350**	**73,107**	**298,250**	**230,944**
Petroleum and natural gas revenue	320,358	289,806	1,340,180	932,406
Royalty expense	(35,679)	(28,452)	(161,226)	(76,271)
Operating expense	(29,783)	(25,315)	(101,581)	(91,515)
Transportation and other expense	(39,406)	(36,698)	(154,924)	(148,575)
Operating netback – Corporate	**215,490**	**199,341**	**922,449**	**616,045**

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. 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 weighted average 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 deliver 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 Loss (Gain) Per Boe

Birchcliff calculates "marketing loss (gain) per boe" as aggregate marketing loss (gain) in the period divided by the production (boe) in the period. Management believes that marketing losses and marketing gains 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; royalty expense per boe; interest expense per boe; average realized sales price per bbl, Mcf and boe; net income to common shareholders per boe; realized gain (loss) per boe; unrealized gain (loss) 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; other finance expenses per boe; finance expense per boe; other income per boe; other gains (losses) 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 less the current liability portion of other liabilities 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 deficit (surplus), respectively, for the periods indicated:

As at December 31, *($000s)*	2022	2021	2020
Revolving term credit facilities	**131,981**	**500,870**	**731,372**
Working capital deficit (surplus)[1]	(7,902)	53,312	93,988
Fair value of financial instruments – asset[2]	17,729	69	-
Fair value of financial instruments – liability[2]	(1,345)	(16,586)	(23,479)
Other liabilities[2]	(1,914)	-	-
Capital securities	-	(38,268)	(39,930)
Adjusted working capital deficit (surplus)	**6,568**	**(1,473)**	**30,579**
Total debt[3]	**138,549**	**499,397**	**761,951**

(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 accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the period.

ADVISORIES

Currency

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

Boe Conversions

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

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 as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any net acquisitions and dispositions, administrative assets and the capitalized portion of cash incentive payments that have not been approved by the Board. 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.

Reserves

Birchcliff retained independent qualified reserves evaluator, Deloitte LLP ("**Deloitte**"), to evaluate and prepare a report on 100% of Birchcliff's light crude oil and medium crude oil (combined), conventional natural gas, shale gas and NGLs reserves effective December 31, 2022. Such evaluation was prepared in accordance with the standards contained in the COGE Handbook and NI 51-101. Further information regarding the Corporation's reserves can be found in the AIF.

Certain terms used herein are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings in this MD&A as in NI 51-101 or the COGE Handbook, as the case may be.

Forward-Looking Statements

Certain statements contained in this MD&A constitute 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:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- statements with respect to dividends, including that the annual base dividend of $0.80 per common share for 2023 is expected to be declared and paid quarterly at the rate of $0.20 per common share; and
- the information set forth under the heading *"2023 Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's 2023 guidance and capital program, including: that Birchcliff remains committed to the payment of its annual base dividend of $0.80 per common share, maintaining capital discipline and generating free funds flow in 2023; the potential for weakness in summer natural gas prices; the anticipated number of and timing of wells to be drilled and brought on production; that the wells now anticipated to be brought on production in Q4 2023 is expected to result in strong production in Q4 2023 and Q1 2024, when commodity prices are forecast to be significantly higher; that Birchcliff's significant ownership and operatorship of its assets gives it a strong competitive advantage, providing it with the flexibility to actively manage its capital program in response to changing economic conditions in order to protect its strong financial position and base dividend; that the Corporation will continue to closely monitor commodity prices and, where deemed prudent, will make further adjustments to its 2023 capital program, giving consideration to increasing or decreasing its rate of drilling and capital investment depending on commodity prices; that Birchcliff is taking a conservative approach to capital investment in 2023 as a result of the significant ongoing volatility in natural gas prices; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base common share dividend, excess free funds flow, total debt at year end and natural gas market exposure; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow; and that the forecast of total debt at December 31, 2023 is expected to be comprised of any amounts outstanding under the Credit

Facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the year;

- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- estimates of reserves and future development costs;
- 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 and available Credit Facilities in 2023 will be sufficient to fund its working capital requirements, its capital program and future dividend payments in 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 capital expenditure programs and dividend payments if required;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations;
- statements relating to the 2023 NCIB, including: potential purchases under the 2023 NCIB; and the cancellation of common shares under the 2023 NCIB; and
- statements regarding potential transactions.

Statements relating to reserves are forward-looking as they involve the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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 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 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 2023 guidance (as updated on March 15, 2023), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"2023 Guidance"*. In addition:

- Birchcliff's production guidance assumes that: the 2023 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 forecast of capital expenditures assumes that the 2023 capital program will be carried out as currently contemplated and excludes any net potential acquisitions and dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board.
- Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and the forecasts of 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 forecast of adjusted funds flow takes into account its physical and financial basis swap contracts outstanding as at March 14, 2023 and excludes cash incentive payments that have not been approved by the Board.
- Birchcliff's forecast of excess free funds flow assumes that: the forecasts of adjusted funds flow and free funds flow are achieved; and an annual base dividend of $0.80 per common share is paid during 2023 and there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid.
- Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved, with the level of capital spending for 2023 met and the payment of an annual base dividend of $213 million; (ii) 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; (iii) there are no buybacks of common shares during 2023; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023; (v) there are no equity issuances during 2023; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.
- Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (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; and (iii) 27,500 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its physical and financial basis swap contracts outstanding as at March 14, 2023.

- With respect to statements of future wells to be drilled and brought on production, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.
- With respect to estimates of reserves, the key assumption is the validity of the data used by Deloitte in its independent reserves evaluation.

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 2023); 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; political uncertainty and uncertainty associated with government policy changes; actions by government authorities; an inability of the Corporation to comply with existing and future laws and the cost of compliance with such laws; 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 the Board to declare dividends and change the Corporation's dividend policy and the risk that the amount of dividends may be less than currently forecast; 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.

The declaration and payment of any future dividends are subject to the discretion of the Board 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 ABCA 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 the AIF under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

This MD&A contains information that may constitute future-orientated financial information or financial outlook information (collectively, "**FOFI**") about Birchcliff's prospective financial performance, financial position or cash flows, all of which is subject to the same assumptions, risk factors, limitations and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Birchcliff's actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Birchcliff has included FOFI in order to provide readers with a more complete perspective on Birchcliff's future operations and management's current expectations relating to Birchcliff's future performance. Readers are cautioned that such information may not be appropriate for other purposes. FOFI contained herein was made as of the date of this MD&A. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

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

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