BIRCHCLIFF ENERGY

QUARTERLY REPORT | Q3 2021

BIRCHCLIFF ENERGY LTD. ANNOUNCES Q3 2021 FINANCIAL AND OPERATIONAL RESULTS, INCREASED 2021 ADJUSTED FUNDS FLOW AND FREE FUNDS FLOW GUIDANCE AND PRELIMINARY OUTLOOK FOR 2022

Calgary, Alberta (November 10, 2021) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its financial and operational results for the three and nine months ended September 30, 2021, its updated 2021 guidance and its preliminary outlook for 2022.

"Birchcliff delivered exceptional third quarter results, highlighted by record quarterly adjusted funds flow(1) of $168.1 million and free funds flow(1) of $150.1 million, with quarterly average production of 84,924 boe/d," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. "As a result of this excellent performance, we are swiftly reducing our debt."

"For the remainder of 2021, we will continue to focus on maintaining our low-cost structure, free funds flow generation and strengthening our already strong balance sheet. We do not have any fixed price commodity hedges in place, which will allow us to take full advantage of robust oil and natural gas prices. We are increasing our 2021 guidance for adjusted funds flow to $575 million(2) (up from $500 million) and free funds flow to $345 million to $350 million (up from $270 million to $290 million)," said Mr. Tonken. "We are tightening our guidance for 2021 annual average production to 79,000 to 80,000 boe/d and our 2021 F&D capital expenditures to $225 million to $230 million. We will continue to prioritize debt repayment and expect that our total debt(1) at year-end 2021 will now be $450 million to $455 million, down from our previous guidance of $500 million to $520 million, a decrease of as much as 42% ($327.4 million) from our peak 2021 quarter-end total debt of $777.4 million at March 31, 2021. Based on our updated guidance, this would result in a year-end 2021 total debt to full-year 2021 adjusted funds flow ratio of 0.8x(1)(3)."

"Although we have not yet finalized our 2022 plans, we remain committed to maintaining a flat annual average production profile, free funds flow generation and further debt reduction in 2022. We are targeting F&D capital spending to be in the range of $240 million to $260 million, with annual average production expected to be 78,000 to 80,000 boe/d. Based on this targeted F&D capital spending and production, we expect to generate adjusted funds flow of approximately $650 million and free funds flow of approximately $400 million using current strip pricing(4)."

Birchcliff's unaudited interim condensed financial statements for the three and nine months ended September 30, 2021 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

Q3 2021 Highlights

- Achieved quarterly average production of 84,924 boe/d, an 8% increase from Q3 2020. Liquids accounted for approximately 19% of Birchcliff's total production in Q3 2021 as compared to approximately 24% in Q3 2020.
- Generated a record $168.1 million of adjusted funds flow, or $0.63 per basic common share, a 183% increase and a 186% increase, respectively, from Q3 2020. Cash flow from operating activities was $155.6 million, a 194% increase from Q3 2020.
- Delivered $150.1 million of free funds flow, a 426% increase from Q3 2020.

(1) Non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. See *"Non-GAAP Measures"*.

(2) Based on an annual average production rate of 79,500 boe/d, which is the mid-point of Birchcliff's revised 2021 annual average production guidance of 79,000 to 80,000 boe/d. See *"Outlook and Guidance – Revised 2021 Guidance"*.

(3) Based on total debt at December 31, 2021 of $452.5 million, which is the mid-point of Birchcliff's revised 2021 total debt guidance of $450 million to $455 million. See *"Outlook and Guidance – Revised 2021 Guidance"*.

(4) Based on the mid-points of Birchcliff's 2022 annual average production and F&D capital expenditures outlook. Assumes the following 2022 commodity prices and exchange rate as of November 4, 2021: an average WTI price of US$75.00/bbl; an average WTI-MSW differential of CDN$5.00/bbl; an average AECO 5A price of CDN$4.15/GJ; an average Dawn price of US$4.25/MMBtu; an average NYMEX HH price of US$4.30/MMBtu; and an exchange rate (CDN$ to US$1) of 1.25.

- Earned record net income to common shareholders of $138.4 million, or $0.52 per basic common share, as compared to a net loss to common shareholders of $17.7 million and $0.07 per basic common share in Q3 2020.
- Reduced total debt at September 30, 2021 to $637.9 million, a reduction of $139.5 million from peak 2021 quarter-end total debt of $777.4 million at March 31, 2021, which will result in corresponding decreases in interest expense.
- Achieved operating expense of $2.96/boe, an 8% increase from Q3 2020.
- Realized an operating netback[(1)] of $23.52/boe, a 96% increase from Q3 2020.
- F&D capital expenditures were $18.0 million in Q3 2021. During the quarter, Birchcliff continued with the safe and efficient execution of its 2021 capital program (the "**2021 Capital Program**"), bringing 12 (12.0 net) wells on production.
- Birchcliff has been active under its normal course issuer bid (the "**NCIB**") in order to offset the dilution from the exercise of stock options ("**Options**") under the Corporation's stock option plan. During Q3 2021, Birchcliff purchased 3,200,000 common shares pursuant to the NCIB at an average price of $5.42 per common share for an aggregate cost of $17.4 million. Year-to-date, Birchcliff has purchased 3,867,800 common shares pursuant to the NCIB at an average price of $5.63 per common share for an aggregate cost of $21.8 million. A total of 3,276,165 Options, with an average exercise price of $3.11 per common share, have been exercised since January 1, 2021 for aggregate proceeds to Birchcliff of $10.2 million, resulting in a net cost to Birchcliff of $11.6 million.

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

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(1) Non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. See *"Non-GAAP Measures"*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
OPERATING				
Average production				
Light oil *(bbls/d)*	2,878	4,405	2,998	4,700
Condensate *(bbls/d)*	5,990	7,266	5,844	5,545
NGLs *(bbls/d)*	6,889	6,898	7,750	7,436
Natural gas *(Mcf/d)*	415,005	358,851	371,175	347,787
Total *(boe/d)*	**84,924**	**78,376**	**78,454**	**75,645**
Average realized sales price *(CDN$)*(1)				
Light oil *(per bbl)*	83.52	48.50	75.28	40.57
Condensate *(per bbl)*	88.04	48.27	81.65	46.07
NGLs *(per bbl)*	35.13	14.05	28.01	12.66
Natural gas *(per Mcf)*	4.46	2.48	3.86	2.33
Total *(per boe)*	**33.70**	**19.80**	**30.00**	**17.86**
NETBACK AND COST *($/boe)*				
Petroleum and natural gas revenue(1)	33.71	19.80	30.00	17.86
Royalty expense	(2.50)	(0.55)	(2.23)	(0.56)
Operating expense	(2.96)	(2.73)	(3.09)	(2.91)
Transportation and other expense(2)	(4.73)	(4.49)	(5.22)	(4.94)
Operating netback *($/boe)*(2)	**23.52**	**12.03**	**19.46**	**9.45**
G&A expense, net	(0.70)	(0.67)	(0.83)	(0.80)
Interest expense	(0.92)	(0.93)	(1.10)	(0.84)
Realized loss on financial instruments	(0.32)	(2.28)	(1.46)	(2.31)
Other cash income (expense)	(0.07)	0.08	0.09	0.19
Adjusted funds flow netback *($/boe)*(2)	**21.51**	**8.23**	**16.16**	**5.69**
Depletion and depreciation expense	(7.31)	(7.54)	(7.42)	(7.63)
Unrealized gain (loss) on financial instruments	9.02	(3.55)	3.93	(3.75)
Other (expense) income(3)	0.05	(0.05)	0.03	(0.33)
Dividends on preferred shares	(0.22)	(0.27)	(0.25)	(0.28)
Income tax recovery (expense)	(5.34)	0.73	(2.91)	1.36
Net income (loss) to common shareholders *($/boe)*	**17.71**	**(2.45)**	**9.54**	**(4.94)**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*(1)	263,348	142,779	642,600	370,222
Cash flow from operating activities *($000s)*	155,606	52,977	319,227	116,749
Adjusted funds flow *($000s)*(2)	168,076	59,377	346,084	118,017
Per basic common share *($)*(2)	0.63	0.22	1.30	0.44
Net income (loss) to common shareholders *($000s)*	138,367	(17,692)	204,387	(102,415)
Per basic common share *($)*	0.52	(0.07)	0.77	(0.39)
End of period basic common shares *(000s)*	265,573	265,935	265,573	265,935
Weighted average basic common shares *(000s)*	266,547	265,935	266,258	265,935
Dividends on common shares *($000s)*	1,330	1,330	3,993	9,638
Dividends on preferred shares *($000s)*	1,717	1,905	5,188	5,749
F&D capital expenditures *($000s)*(4)	18,026	30,842	194,753	246,676
Total capital expenditures *($000s)*(4)	18,622	31,193	196,407	248,006
Long-term debt *($000s)*	648,327	771,706	648,327	771,706
Total debt *($000s)*(2)	637,905	784,414	637,905	784,414

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

(2) Non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. See *"Non-GAAP Measures"*.

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

(4) See *"Advisories – Capital Expenditures"*.

OUTLOOK AND GUIDANCE

Preliminary Outlook for 2022

Based on current strip pricing, Birchcliff expects to generate adjusted funds flow of approximately $650 million and free funds flow of approximately $400 million in 2022. Notwithstanding the current strength of Birchcliff's balance sheet, the Corporation will continue to prioritize free funds flow generation and further debt reduction in order to significantly reduce the risks relating to lower commodity prices and unforeseen market events such as the industry experienced in 2020. The strength of Birchcliff's balance sheet also provides it with the optionality to increase shareholder returns, including increased dividends and common share repurchases under its NCIB. Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to enter into any, which gives it the ability to take advantage of the strong commodity prices forecast for 2022.

Although Birchcliff has not yet finalized its 2022 capital spending plans, it is currently targeting F&D capital spending of $240 million to $260 million, which takes into account expected increases in materials, labour and services costs as compared to the current year. Birchcliff remains committed to maintaining a flat annual average production profile in 2022, supported by its low decline assets, and expects its 2022 annual average production to be 78,000 to 80,000 boe/d, which takes into account significant planned turnarounds at the Corporation's 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") and AltaGas's deep-cut sour gas processing facility in Gordondale. The 2022 capital program will be designed to utilize two drilling rigs in order to bring new wells onto production throughout the year, which will allow for a more consistent production profile and be more operationally efficient for the Corporation. Birchcliff anticipates that this will result in comparable annual average production rates year-over-year, with strong production in Q4 2022.

Birchcliff continues to work through its plans for 2022 and expects to announce details of its 2022 capital program and guidance on January 19, 2022.

Revised 2021 Guidance

As a result of the continued successful results that Birchcliff has achieved this year and the ongoing strength of forward commodity prices, Birchcliff is revising its commodity price assumptions for 2021 and its guidance for adjusted funds flow, free funds flow and total debt. The Corporation is also updating its production and F&D capital expenditures guidance. Significant changes to Birchcliff's 2021 guidance include the following:

- Adjusted funds flow guidance has been increased to $575 million (previously $500 million), primarily as a result of the improvement in the commodity price forecast.
- F&D capital expenditures are now expected to be between $225 million to $230 million, which is within the Corporation's previous guidance of $210 million to $230 million.
- Free funds flow guidance has been increased to $345 million to $350 million (previously $270 million to $290 million), as a result of higher anticipated adjusted funds flow in 2021.
- Total debt at year end is now expected to be $450 million to $455 million (previously $500 million to $520 million), primarily as a result of higher anticipated free funds flow in 2021. This would result in a year-end 2021 total debt to full-year 2021 adjusted funds flow ratio of 0.8x.
- Annual average production guidance has been tightened to 79,000 to 80,000 boe/d (within the Corporation's previous guidance range of 79,000 to 81,000 boe/d) and second half average production guidance has been updated to 82,000 to 83,000 boe/d (previously 84,000 to 86,000 boe/d). Birchcliff's production was impacted by a force majeure event at a third-party fractionation facility and a significant outage on a third-party NGLs pipeline system that occurred in the late third and early fourth quarters.
- Average royalty expense is now expected to be $2.60/boe to $2.80/boe (previously $2.40/boe to $2.60/boe), primarily as a result of the improvement in the commodity price forecast.
- Average operating expense is now expected to be $3.00/boe to $3.20/boe (previously $2.90/boe to $3.10/boe), primarily as a result of the strengthening commodity prices that have increased power and fuel costs.

The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2021:

	Revised 2021 guidance and assumptions – November 10, 2021[(1)]	Previous 2021 guidance and assumptions – August 11, 2021	Original 2021 guidance and assumptions – January 20, 2021[(2)]
Production			
Annual average production *(boe/d)*	79,000 – 80,000	79,000 – 81,000	78,000 – 80,000
% Light oil	4%	4%	5%
% Condensate	7%	7%	9%
% NGLs	10%	10%	10%
% Natural gas	79%	79%	76%
Second half 2021 average production *(boe/d)*	82,000 – 83,000	84,000 – 86,000	83,000 – 85,000
Average Expenses *($/boe)*			
Royalty	2.60 – 2.80	2.40 – 2.60	1.15 – 1.35
Operating	3.00 – 3.20	2.90 – 3.10	2.90 – 3.10
Transportation and other	5.00 – 5.20	5.00 – 5.20	5.00 – 5.20
Adjusted Funds Flow *(MM$)*	575[(3)]	500	360
F&D Capital Expenditures *(MM$)*	225 – 230[(4)]	210 – 230	210 – 230
Free Funds Flow *(MM$)*[(5)]	345 – 350	270 – 290	130 – 150
Total Debt at Year End *(MM$)*	450 – 455[(6)]	500 – 520	635 – 655
Natural Gas Market Exposure[(7)]			
AECO exposure as a % of total natural gas production	7%	13%	12%[(8)]
Dawn exposure as a % of total natural gas production	43%	43%	44%
NYMEX HH exposure as a % of total natural gas production	38%	38%	38%[(8)]
Alliance exposure as a % of total natural gas production	12%	6%	6%
Commodity Prices			
Average WTI price *(US$/bbl)*	69.00[(9)]	66.00	50.00
Average WTI-MSW differential *(CDN$/bbl)*	5.50[(9)]	5.50	6.00
Average AECO 5A price *(CDN$/GJ)*	3.55[(9)]	3.30	2.50
Average Dawn price *(US$/MMBtu)*[(10)]	3.80[(9)]	3.40	2.75
Average NYMEX HH price *(US$/MMBtu)*[(10)]	3.85[(9)]	3.45	2.80
Exchange rate *(CDN$ to US$1)*	1.25[(9)]	1.25	1.27

(1) Birchcliff's guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2021 is based on an annual average production rate of 79,500 boe/d during 2021, which is the mid-point of Birchcliff's revised annual average production guidance for 2021.

(2) Except where otherwise noted, as previously disclosed on January 20, 2021.

(3) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at November 10, 2021.

(4) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and the capitalized portion of annual cash incentive payments. See *"Advisories – Capital Expenditures"*.

(5) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions and dispositions, dividend payments, common share repurchases, preferred share redemptions, proceeds received from the exercise of Options and performance warrants, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *"Non-GAAP Measures"*.

(6) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of common share and preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates and applicable taxes remaining unchanged; (ii) that there are approximately 266 million common, 2,000,000 series A and 1,533,108 series C preferred shares outstanding, with no additional redemptions of series C preferred shares or buybacks of common shares occurring during the remainder of 2021; (iii) that there is no repayment of debt using the proceeds from asset dispositions or equity issuances; (iv) that there are no proceeds received from the exercise of Options and performance warrants during the remainder of 2021; (v) that the 2021 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (vi) the targets for production, production commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.

(7) Birchcliff's revised guidance regarding its natural gas market exposure, as updated on November 10, 2021, assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 53,000 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium; and (iii) 152,500 MMBtu/d being contracted on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(8) Updated on March 10, 2021.

(9) Updated commodity price and exchange rate assumptions are based on anticipated full-year averages, which include actual settled benchmark commodity prices and exchange rate for the period from January 1, 2021 to September 30, 2021 and forward strip benchmark commodity prices and exchange rate as of November 4, 2021 for the period from October 1, 2021 to December 31, 2021.

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

Adjusted Funds Flow Sensitivity

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate during the fourth quarter of 2021 on the Corporation's estimate of adjusted funds flow for 2021 of $575 million:

Forward three months' sensitivity(1)	Estimated change to 2021 adjusted funds flow *(MM$)*(2)(3)
Change in WTI US$1.00/bbl	1.2
Change in NYMEX HH US$0.10/MMBtu	1.8
Change in Dawn US$0.10/MMBtu	1.8
Change in AECO CDN$0.10/GJ	2.1
Change in CDN/US exchange rate CDN$0.01	1.4

(1) Adjusted funds flow sensitivities take into account actual settled benchmark commodity prices and exchange rate for the period from January 1, 2021 to September 30, 2021 and forward strip benchmark commodity prices and exchange rate as of November 4, 2021 for the period from October 1, 2021 to December 31, 2021.

(2) See the guidance table above.

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

Changes in assumed commodity prices and variances in production estimates can have an impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact may be material. For further information, see "*Advisories – Forward-Looking Statements*".

Q3 2021 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 84,924 boe/d in Q3 2021, an 8% increase from 78,376 boe/d in Q3 2020. Production in Q3 2021 was positively impacted by incremental production volumes from the new Montney/Doig light oil and condensate-rich natural gas wells brought on production since September 30, 2020. Production was negatively impacted by natural production declines and a force majeure event at a third-party fractionation facility and a significant outage on a third-party NGLs pipeline system experienced in late September 2021.

Liquids accounted for approximately 19% of Birchcliff's total production in Q3 2021, as compared to approximately 24% in Q3 2020, with total liquids production decreasing by 15% from Q3 2020. The change in the corporate commodity production mix was primarily due to Birchcliff specifically targeting natural gas wells in the Pouce Coupe and Gordondale areas since September 30, 2020.

Adjusted Funds Flow and Cash Flow From Operating Activities

Birchcliff's adjusted funds flow in Q3 2021 was $168.1 million, or $0.63 per basic common share, a 183% increase and a 186% increase, respectively, from $59.4 million and $0.22 per basic common share in Q3 2020. The increases were primarily due to an 84% increase in petroleum and natural gas revenue, partially offset by a higher royalty expense, both of which were largely impacted by a 70% increase in the average realized sales price received for Birchcliff's production in Q3 2021 as compared to Q3 2020. Birchcliff's average realized sales price in Q3 2021 benefited from the significant increases in benchmark oil and natural gas prices since Q3 2020. See *"Q3 2021 Financial and Operational Results – Commodity Prices"*.

Birchcliff's cash flow from operating activities in Q3 2021 was $155.6 million, a 194% increase from $53.0 million in Q3 2020. The reason for the increase is consistent with the explanation for the increase to adjusted funds flow.

Net Income (Loss) to Common Shareholders

Birchcliff recorded net income to common shareholders of $138.4 million, or $0.52 per basic common share, in Q3 2021, as compared to a net loss to common shareholders of $17.7 million, or $0.07 per basic common share in Q3 2020. The change to a net income position was primarily due to higher adjusted funds flow and an unrealized after-tax mark-to-market gain on financial instruments of $54.3 million in Q3 2021 as compared to an unrealized after-tax mark-to-market loss on financial instruments of $19.7 million in Q3 2020.

Operating Expense

Birchcliff's operating expense was $2.96/boe in Q3 2021, an 8% increase from $2.73/boe in Q3 2020. The increase was primarily due to stronger commodity prices, which resulted in higher power and fuel costs, partially offset by higher average production in Q3 2021 as compared to Q3 2020.

Operating Netback

Birchcliff's operating netback was $23.52/boe in Q3 2021, a 96% increase from $12.03/boe in Q3 2020. The increase was primarily due to higher per boe petroleum and natural gas revenue, partially offset by a higher per boe royalty expense in Q3 2021.

Total Cash Costs

Birchcliff's total cash costs were $11.81/boe in Q3 2021, a 26% increase from $9.37/boe in Q3 2020. The increase was largely attributable to a higher per boe royalty expense.

Pouce Coupe Gas Plant Netbacks

During the nine months ended September 30, 2021, Birchcliff processed 69% of its total corporate natural gas production and 62% of its total corporate production through the Pouce Coupe Gas Plant as compared to 69% and 59%, respectively, during the nine months ended September 30, 2020. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Average production:				
Condensate *(bbls/d)*		4,019		4,126
NGLs *(bbls/d)*		1,789		1,056
Natural gas *(Mcf/d)*		255,870		238,482
Total *(boe/d)*		**48,453**		**44,929**
Liquids-to-gas ratio[1] ***(bbls/MMcf)***		**22.7**		**21.7**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[2]	4.76	28.59	2.87	17.19
Royalty expense	(0.29)	(1.76)	(0.05)	(0.30)
Operating expense[3]	(0.37)	(2.22)	(0.37)	(2.17)
Transportation and other expense[4]	(0.91)	(5.47)	(0.88)	(5.30)
Operating netback[4]	**$3.19**	**$19.14**	**$1.57**	**$9.42**
Operating margin[5]	**67%**	**67%**	**55%**	**55%**

(1) Liquids consists of condensate and other NGLs.
(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.
(3) Represents plant and field operating expense.
(4) Non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. See *"Non-GAAP Measures"*.
(5) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

Birchcliff's liquids-to-gas ratio at the Pouce Coupe Gas Plant increased by 5% from the nine months ended September 30, 2020 primarily due to increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in Q4 2020.

Debt and Credit Facilities

With free funds flow now targeted at $345 million to $350 million, the Corporation expects that its total debt at year end 2021 will be $450 million to $455 million, down from its previous total debt guidance of $500 million to $520 million, which would result in a year-end 2021 total debt to full-year 2021 adjusted funds flow ratio of 0.8x. See *"Outlook and Guidance – Revised 2021 Guidance"*.

Total debt at September 30, 2021 was $637.9 million, as compared to $784.4 million at September 30, 2020. At September 30, 2021, Birchcliff had an adjusted working capital surplus of $10.4 million, as compared to an adjusted working capital deficit of $12.7 million at September 30, 2020. The change to a surplus position from September 30, 2020 was primarily due to the strengthening of commodity prices and the positive effects this had on Birchcliff's working capital balances. See *"Non-GAAP Measures"*. At September 30, 2021, Birchcliff had long-term bank debt of $648.3 million (September 30, 2020: $771.7 million) from available credit facilities of $850.0 million (September 30, 2020: $1.0

billion), leaving $193.5 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized fees. Birchcliff's credit facilities do not contain any financial maintenance covenants and do not mature until May 11, 2024.

Commodity Prices

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	% Change
Light oil – WTI Cushing *(US$/bbl)*	71.06	40.27	76
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	83.32	48.09	73
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	4.01	1.98	103
Natural gas – AECO 5A Daily *(CDN$/GJ)*	3.41	2.13	60
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	2.83	1.62	75
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	4.07	1.82	124
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.01	2.12	89
Exchange rate *(CDN$ to US$1)*	1.2504	1.3316	(6)
Exchange rate *(US$ to CDN$1)*	0.7997	0.7509	6

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

Marketing and Natural Gas Market Diversification

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

The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q3 2021, after taking into account the Corporation's financial instruments:

Three months ended September 30, 2021						
	Effective sales *(CDN$000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total natural gas production *(%)*	Percentage of total corporate production *(%)*	Effective average realized sales price *(CDN$)*
Markets						
AECO(1)(2)	43,367	15	118,384 Mcf	29	23	3.98/Mcf
Dawn(3)	78,554	28	158,631 Mcf	38	31	5.38/Mcf
NYMEX HH(1)(4)	69,313	24	137,990 Mcf	33	27	5.46/Mcf
Total natural gas	**191,234**	**67**	**415,005 Mcf**	**100**	**81**	**5.01/Mcf**
Light oil	22,112	8	2,878 bbls		3	83.52/bbl
Condensate	48,517	17	5,990 bbls		8	88.04/bbl
NGLs	22,267	8	6,889 bbls		8	35.13/bbl
Total liquids	**92,896**	**33**	**15,757 bbls**		**19**	**64.08/bbl**
Total corporate	**284,130**	**100**	**84,924 boe**		**100**	**36.37/boe**

(1) A portion of AECO 5A sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical and financial NYMEX/AECO 7A basis swap contracts has been included as effective sales and production in the NYMEX HH market. Birchcliff sold financial and physical AECO 7A basis swaps for 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.226/MMBtu during Q3 2021.

(2) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q3 2021 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market. Alliance sales are recorded net of transportation tolls.

(3) 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.

(4) Birchcliff's effective average realized sales price for NYMEX HH of CDN$5.46/Mcf (US$3.92/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A contract basis price of CDN$1.70/Mcf (US$1.226/MMBtu). After giving effect to the NYMEX HH/AECO 7A basis contact price, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$3.76/Mcf (US$2.69/MMBtu) in Q3 2021

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

Three months ended September 30, 2021							
	Natural gas sales[1] *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price[1]** *(CDN$/Mcf)*	**Natural gas transportation costs[2]** *(CDN$/Mcf)*	**Natural gas sales netback[3]** *(CDN$/Mcf)*
AECO	65,886	39	186,718	45	3.87	0.43	3.44
Dawn	78,554	46	158,631	38	5.38	1.48	3.90
Alliance[4]	26,001	15	69,656	17	4.06	-	4.06
Total	**170,441**	**100**	**415,005**	**100**	**4.46**	**0.76**	**3.70**

Three months ended September 30, 2020							
	Natural gas sales[1] *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price[1]** *(CDN$/Mcf)*	**Natural gas transportation costs[2]** *(CDN$/Mcf)*	**Natural gas sales netback[3]** *(CDN$/Mcf)*
AECO	40,259	49	181,984	51	2.41	0.36	2.04
Dawn	37,723	46	158,745	44	2.58	1.37	1.21
Alliance[4]	3,958	5	18,122	5	2.37	-	2.37
Total	**81,940**	**100**	**358,851**	**100**	**2.48**	**0.79**	**1.69**

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

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

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

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

Capital Activities and Investment

During Q3 2021, Birchcliff continued with the successful execution of the 2021 Capital Program, bringing 12 (12.0 net) wells on production. Total capital expenditures in the quarter were $18.6 million and F&D capital expenditures were $18.0 million. For further information regarding Birchcliff's operational activities year-to-date, see *"Operational Update"*.

OPERATIONAL UPDATE

Birchcliff has completed the vast majority of its 2021 Capital Program, with all previously planned wells brought on production. The 2021 Capital Program was strategically front-end loaded, allowing Birchcliff to bring new wells on production relatively early in the year in order to optimize producing days for capital spent.

Birchcliff anticipates that the average payout for the wells brought on production in 2021 will be less than a year, driven by the successful execution of its low-cost drilling program, strong well results and current strip pricing. The following table sets forth the wells that Birchcliff has drilled and brought on production in 2021:

Area	Total wells drilled	Total wells brought on production[(1)]
Pouce Coupe		
Montney D1 horizontal natural gas wells	7	7
Montney D2 horizontal natural gas wells	3	3
Montney C horizontal natural gas wells	3	3
Basal Doig/Upper Montney horizontal natural gas wells	6	12
Total – Pouce Coupe	**19**	**25**
Gordondale		
Montney D1 horizontal natural gas wells	2	2
Montney D2 horizontal natural gas wells	1	1
Montney C horizontal natural gas wells	1	1
Montney D1 horizontal oil wells	2	2
Montney D2 horizontal oil wells	2	2
Total – Gordondale	**8**	**8**
TOTAL – COMBINED	**27**	**33**

(1) Includes 6 (6.0) net wells that were drilled and rig released in Q4 2020.

As all wells have now been drilled and brought on production, the majority of the execution risk of the 2021 Capital Program is behind the Corporation. Birchcliff expects to spend between $225 million and $230 million in 2021 and intends to utilize any capital savings realized on the 2021 Capital Program to prepare for the efficient execution of its 2022 capital program.

Pouce Coupe 8-Well Pad (14-28-77-13W6) Update

Birchcliff's 14-28 pad in Pouce Coupe was drilled in Q1 and Q2 2021 and brought on production in July 2021 through Birchcliff's owned and operated infrastructure. Wells were drilled in two different intervals (six in the Basal Doig/Upper Montney and two in the Montney D1). The wells from the 14-28 pad have now been producing for over 60 days and have produced at better rates than previously forecast. During the initial 30 and 60 days of production, the pad was flowing inline post-fracture condensate, raw natural gas and frac water. The production rates of the wells are stabilized and the frac water flowing back to surface continues to diminish over time.

The following table summarizes the aggregate and average production rates for the 8 wells from the 14-28 pad:

	IP 30[(1)]	IP 60[(1)]
Aggregate production rate *(boe/d)*	**9,214**	**9,154**
Aggregate natural gas production rate *(Mcf/d)*	50,635	51,367
Aggregate condensate production rate *(bbls/d)*	773	593
Average per well production rate *(boe/d)*	**1,152**	**1,144**
Average per well natural gas production rate *(Mcf/d)*	6,329	6,421
Average per well condensate production rate *(bbls/d)*	97	74
Condensate-to-gas ratio *(bbls/MMcf)*	**15**	**12**

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

Gordondale 4-Well Pad (06-35-77-11W6) Update

Birchcliff's 06-35 pad in Gordondale was drilled in Q2 2021 and brought on production in July 2021. Wells were drilled in two different intervals (two in the Montney D1 and two in the Montney D2) and targeted light oil and natural gas. These wells are offsetting high-rate light oil and natural gas producing wells drilled by Birchcliff in the southeastern portion of Gordondale in 2019 and 2020. The wells from the 06-35 pad have now been producing for over 60 days and have produced at better rates than previously forecast. During the initial 30 and 60 days of production, the pad was flowing inline post-fracture light oil, raw natural gas and frac water. The production rates of the wells are stabilized and the frac water flowing back to surface continues to diminish over time.

The following table summarizes the aggregate and average production rates for the 4 wells from the 06-35 pad:

	IP 30[(1)]	IP 60[(1)]
Aggregate production rate *(boe/d)*	**5,421**	**5,069**
Aggregate natural gas production rate *(Mcf/d)*	27,879	26,640
Aggregate light oil production rate *(bbls/d)*	775	629
Average per well production rate *(boe/d)*	**1,355**	**1,267**
Average per well natural gas production rate *(Mcf/d)*	6,970	6,660
Average per well light oil production rate *(bbls/d)*	194	157
Light oil-to-gas ratio *(bbls/MMcf)*	**28**	**24**

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

ABBREVIATIONS

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

NON-GAAP MEASURES

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

"Adjusted funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and "adjusted funds flow per basic common share" denotes adjusted funds flow divided by the basic weighted average number of common shares outstanding for the period. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period to period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow and adjusted funds flow per basic common share assist management and investors in assessing Birchcliff's operating performance, as well as its ability to generate cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations and pay common share and preferred share dividends. Investors are cautioned that adjusted funds flow should not be construed as an alternative to or more meaningful than cash flow from operating activities or net income or loss as determined in accordance with GAAP as an indicator of Birchcliff's performance.

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

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Cash flow from operating activities	155,606	52,977	319,227	116,749
Change in non-cash operating working capital	12,305	6,220	25,416	292
Decommissioning expenditures	165	180	1,441	976
Adjusted funds flow	**168,076**	**59,377**	**346,084**	**118,017**
F&D capital expenditures	(18,026)	(30,842)	(194,753)	(246,676)
Free funds flow	**150,050**	**28,535**	**151,331**	**(128,659)**

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

"Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense, less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. Netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback and adjusted funds flow netback assist management and investors in assessing Birchcliff's operating results by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis. The following table provides a breakdown of Birchcliff's operating netback and adjusted funds flow netback for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2021		**2020**		**2021**		**2020**	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Petroleum and natural gas revenue	263,348	33.71	142,779	19.80	642,600	30.00	370,222	17.86
Royalty expense	(19,500)	(2.50)	(3,935)	(0.55)	(47,819)	(2.23)	(11,682)	(0.56)
Operating expense	(23,164)	(2.96)	(19,668)	(2.73)	(66,200)	(3.09)	(60,415)	(2.91)
Transportation and other expense	(36,939)	(4.73)	(32,459)	(4.49)	(111,877)	(5.22)	(102,324)	(4.94)
Operating netback	**183,745**	**23.52**	**86,717**	**12.03**	**416,704**	**19.46**	**195,801**	**9.45**
G&A expense, net	(5,506)	(0.70)	(4,804)	(0.67)	(17,762)	(0.83)	(16,587)	(0.80)
Interest expense	(7,154)	(0.92)	(6,736)	(0.93)	(23,613)	(1.10)	(17,415)	(0.84)
Realized loss on financial instruments	(2,469)	(0.32)	(16,440)	(2.28)	(31,359)	(1.46)	(47,846)	(2.31)
Other cash income (expense)	(540)	(0.07)	640	0.08	2,114	0.09	4,064	0.19
Adjusted funds flow netback	**168,076**	**21.51**	**59,377**	**8.23**	**346,084**	**16.16**	**118,017**	**5.69**

The breakdown for the operating netback from the Pouce Coupe Gas Plant is provided under the heading *"Q3 2021 Financial and Operational Results – Pouce Coupe Gas Plant Netbacks"* in this press release.

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

"Adjusted working capital deficit (surplus)" is calculated as current assets minus current liabilities excluding the effects of any current portion of financial instruments and capital securities. Management believes that adjusted working capital deficit (surplus) assists management and investors in assessing Birchcliff's short-term liquidity requirements. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit (surplus):

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Working capital deficit	16,058	93,988	92,843
Financial instrument – current asset	17,565	-	-
Financial instrument – current liability	(5,717)	(23,479)	(31,089)
Capital securities – current liability	(38,328)	(39,930)	(49,046)
Adjusted working capital deficit (surplus)	**(10,422)**	**30,579**	**12,708**

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

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Revolving term credit facilities	648,327	731,372	771,706
Adjusted working capital deficit (surplus)	(10,422)	30,579	12,708
Total debt	**637,905**	**761,951**	**784,414**

"Total debt to adjusted funds flow ratio" is calculated by dividing year-end total debt by full-year adjusted funds flow. Total debt to adjusted funds flow is a coverage ratio that provides management and investors with the ability to determine how long it would take the Birchcliff to repay its total debt if it devoted all of its adjusted funds flow to debt repayment.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three and nine months ended September 30, 2021 and 2020 is unaudited.

Currency

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

MMBtu Pricing Conversions

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

Boe and Mcfe Conversions

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

Production

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

Oil and Gas Metrics

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

Initial Production Rates

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

With respect to the production rates for the Corporation's 8-well (14-28) pad in Pouce Coupe disclosed herein, such rates represent the cumulative volumes for each well measured at the wellhead separator for the 30 and 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable (between 0 and 4 days), divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 8-well pad and then divided by 8 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. Approximate tubing pressures for the 8 wells were stabilized between 4.3 and 9.3 MPa for IP 30 production rates and between 4.1 and 7.0 MPa for IP 60 production rates. Approximate casing pressures for the 8 wells were stabilized between 7.6 and 12.3 MPa for IP 30 production rates and between 6.8 and 11.1 MPa for IP 60 production rates. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

With respect to the production rates for the Corporation's 4-well (06-35) pad in Gordondale disclosed herein, such rates represent the cumulative volumes for each well measured at the wellhead separator for the 30 and 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable (between 0 and 1 days), divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 4-well pad and then divided by 4 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. Approximate tubing pressures for the 4 wells were stabilized between 3.0 and 3.4 MPa for IP 30 production rates and between 2.8 and 3.1 MPa for IP 60 production rates. Approximate casing pressures for the 4 wells were stabilized between 9.2 and 14.2 MPa for IP 30 production rates and between 8.6 and 13.0 MPa for IP 60 production rates. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

Capital Expenditures

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

Forward-Looking Statements

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

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

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

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including: that for remainder of 2021, Birchcliff will continue to focus on maintaining its low-cost structure, free funds flow generation and strengthening its already strong balance sheet; that Birchcliff not having any fixed price commodity hedges will allow it to take full advantage of robust oil and natural gas prices; that Birchcliff will continue to prioritize debt repayment; that total debt at year-end 2021 will now be $450 million to $455 million, a decrease of as much as 42% from its peak 2021 quarter-end total debt of $777.4 million at March 31, 2021; that Birchcliff expects a year-end 2021 total debt to full-year 2021 adjusted funds flow ratio of 0.8x; and that reduced total debt will result in corresponding decreases in interest expense;

- Birchcliff's outlook for commodity prices, including that strong commodity prices are forecast for 2022;

- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this press release as it relates to Birchcliff's preliminary outlook for 2022, including: that for 2022, Birchcliff remains committed to maintaining a flat annual average production profile, free funds flow generation and further debt reduction; that Birchcliff expects to generate adjusted funds flow of approximately $650 million and free funds flow of approximately $400 million in 2022; that the Corporation will continue to prioritize free funds flow generation and further debt reduction in order to significantly reduce the risks relating to lower commodity prices and unforeseen market events such as the industry experienced in 2020; that the strength of Birchcliff's balance sheet also provides it with the optionality to increase shareholder returns, including increased dividends and common share repurchases under its NCIB; that Birchcliff does not currently intend to enter into any fixed price commodity hedges, which gives it the ability to take advantage of the strong commodity prices forecast for 2022; that the Corporation is currently targeting F&D capital spending of $240 million to $260 million, which takes into account expected increases in materials, labour and services costs as compared to the current year; that Birchcliff expects its 2022 annual average production to be 78,000 to 80,000 boe/d, which takes into account significant planned turnarounds at the Pouce Coupe Gas Plant and AltaGas's deep-cut sour gas processing facility in Gordondale; that the 2022 capital program will be designed to utilize two drilling rigs in order to bring new wells onto production throughout the year, which will allow for a more consistent production profile and be more operationally efficient for the Corporation; that Birchcliff anticipates comparable annual average production rates year-over-year, with strong production in Q4 2022; and that Birchcliff expects to announce details of its 2022 capital program and guidance on January 19, 2022;

- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this press release as it relates to Birchcliff's 2021 outlook and guidance, including: estimates of annual and second half average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, total debt and natural gas market exposure in 2021 and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of adjusted funds flow;
- the information set forth under the heading *"Operational Update"* and elsewhere in this press release as it relates to the 2021 Capital Program and Birchcliff's proposed exploration and development activities and the timing thereof, including: the focus of, the objectives of, the timing of, the anticipated results from and expected benefits of the 2021 Capital Program; that Birchcliff anticipates that the average payout for the wells brought on production in 2021 will be less than a year; and that Birchcliff intends to utilize any capital savings realized on the 2021 Capital Program to prepare for the efficient execution of its 2022 capital program; and
- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets, including statements regarding the potential or prospectivity of Birchcliff's properties.

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

- Birchcliff's 2021 guidance (as revised November 10, 2021) assumes the following commodity prices and exchange rate: an average WTI price of US$69.00/bbl; an average WTI-MSW differential of CDN$5.50/bbl; an average AECO 5A price of CDN$3.55/GJ; an average Dawn price of US$3.80/MMBtu; an average NYMEX HH price of US$3.85/MMBtu; and an exchange rate (CDN$ to US$1) of 1.25.
- Birchcliff's preliminary 2022 outlook assumes the following commodity prices and exchange rate: an average WTI price of US$75.00/bbl; an average WTI-MSW differential of CDN$5.00/bbl; an average AECO 5A price of CDN$4.15/GJ; an average Dawn price of US$4.25/MMBtu; an average NYMEX HH price of US$4.30/MMBtu; and an exchange rate (CDN$ to US$1) of 1.25.
- With respect to estimates of 2021 and 2022 capital expenditures and Birchcliff's spending plans for 2021 and 2022, such estimates and plans assume that Birchcliff's capital programs will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds

flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.

- With respect to Birchcliff's adjusted funds flow and free funds flow guidance for 2021 and 2022, such guidance assumes that: Birchcliff's capital programs will be carried out as currently contemplated and the level of capital spending for 2021 and 2022 set forth herein will be achieved; and the Corporation's targets for production, production commodity mix, costs and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance for 2021 and 2022, such guidance assumes that: Birchcliff's capital programs will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity.
- With respect to statements regarding the future potential and prospectivity of properties and assets, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff with respect to such properties; and that, over the long-term, commodity prices and general economic conditions will warrant proceeding with the exploration and development of such properties.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in 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 effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's board of directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

Birchcliff's five year plan for 2021 to 2025 (the "**Five Year Plan**") assumes an average WTI price of US$50.00/bbl, an average WTI-MSW differential of CDN$6.00/bbl, an average AECO 5A price of CDN$2.50/GJ, an average Dawn price of US$2.75/MMBtu, an average NYMEX HH price of US$2.80/MMBtu and an exchange rate (CDN$ to US$1) of 1.27. As disclosed herein, Birchcliff has revised its guidance and commodity price and exchange rate assumptions for 2021 and provided a preliminary outlook for 2022, which would have a corresponding impact on the Five Year Plan and which would affect some or all of the longer-term targets disclosed for 2022 to 2025. The internal projections, expectations and beliefs underlying the Five Year Plan are subject to change in light of ongoing results and prevailing economic and industry conditions. For further information regarding the assumptions on which the Five Year Plan is based, please see Birchcliff's January 20, 2021 press release.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience. While the duration and full impact of the COVID-19 pandemic is not yet known, the effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on the Corporation's business, results of operations, financial condition and the environment in which it operates. The Corporation's current expectations, estimates, projections, beliefs and assumptions underlying the Corporation's forward-looking statements are subject to change in light of the COVID-19 pandemic, including potential future waves and actions taken by governments and businesses in response thereto.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in Birchcliff's most recent Annual Information Form under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

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

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

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

About Birchcliff:

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff's common shares and cumulative redeemable preferred shares, Series A and Series C are listed for trading on the Toronto Stock Exchange under the symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively.

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Chris Carlsen – Vice-President, Engineering

Bruno Geremia – Vice-President and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated November 10, 2021 is with respect to the three and nine months ended September 30, 2021 (the "**Reporting Periods**") as compared to the three and nine months ended September 30, 2020 (the "**Comparable Prior Periods**"). This MD&A has been prepared by management and approved by the Corporation's Audit Committee and Board of Directors and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the Reporting Periods and the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2020, both of which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

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

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

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

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

ABOUT BIRCHCLIFF

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff's common shares, cumulative redeemable preferred shares, Series A (the "**Series A Preferred Shares**") and cumulative redeemable preferred shares, Series C (the "**Series C Preferred Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively. Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2020 (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 AND COVID-19

The COVID-19 pandemic had a significant negative impact on global economic conditions in 2020. This included a sharp decrease in crude oil demand which, combined with other macro-economic conditions, resulted in significant volatility in oil and natural gas commodity prices, as well as economic uncertainty.

During 2021, the global economy has shown signs of strong recovery from the impacts of the COVID-19 pandemic. The outlook for oil and natural gas commodity prices and general market and industry conditions have improved due to the easing of government restrictions and an increase in COVID-19 vaccination rates.

In response to the ongoing COVID-19 pandemic, Birchcliff continues to have a number of initiatives in place to protect the well-being of its employees and contractors. The Corporation's COVID-19 response team continues to coordinate such initiatives and closely monitors the recommendations of applicable government and health authorities.

See *"Risk Factors"* in this MD&A for further information regarding certain risks relating to the COVID-19 pandemic.

HIGHLIGHTS

2021 Third Quarter Financial and Operational Highlights

- Achieved quarterly average production of 84,924 boe/d, an 8% increase from the three month Comparable Prior Period. Liquids accounted for approximately 19% of Birchcliff's total production in the three month Reporting Period as compared to approximately 24% in the three month Comparable Prior Period.
- Generated a record $168.1 million of adjusted funds flow, or $0.63 per basic common share, a 183% increase and a 186% increase, respectively, from the three month Comparable Prior Period. Cash flow from operating activities was $155.6 million, a 194% increase from the three month Comparable Prior Period.
- Delivered $150.1 million of free funds flow, a 426% increase from the three month Comparable Prior Period.
- Earned record net income to common shareholders of $138.4 million, or $0.52 per basic common share, as compared to a net loss to common shareholders of $17.7 million and $0.07 per basic common share in the three month Comparable Prior Period.
- Reduced total debt at September 30, 2021 to $637.9 million, a reduction of $139.5 million from peak 2021 quarter-end total debt of $777.4 million at March 31, 2021, which will result in corresponding decreases in interest expense.
- Achieved operating expense of $2.96/boe, an 8% increase from the three month Comparable Prior Period.
- Realized an operating netback of $23.52/boe, a 96% increase from the three month Comparable Prior Period.
- F&D capital expenditures were $18.0 million in the three month Reporting Period. During the three month Reporting Period, Birchcliff continued with the safe and efficient execution of its 2021 capital program (the "**2021 Capital Program**"), bringing 12 (12.0 net) wells on production.
- Birchcliff has been active under its normal course issuer bid (the "**NCIB**") in order to offset the dilution from the exercise of stock options ("**Options**") under the Corporation's stock option plan. During the three month Reporting Period, Birchcliff purchased 3,200,000 common shares pursuant to the NCIB at an average price of $5.42 per common share for an aggregate cost of $17.4 million. Year-to-date, Birchcliff has purchased 3,867,800 common shares pursuant to the NCIB at an average price of $5.63 per common share for an aggregate cost of $21.8 million. A total of 3,276,165 Options with an average exercise price of $3.11 per common share have been exercised since January 1, 2021 for aggregate proceeds to Birchcliff of $10.2 million, resulting in a net cost to Birchcliff of $11.6 million.

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

OUTLOOK AND GUIDANCE

Preliminary Outlook for 2022

Based on current strip pricing, Birchcliff expects to generate adjusted funds flow of approximately $650 million and free funds flow of approximately $400 million in 2022(1). Notwithstanding the current strength of Birchcliff's balance sheet, the Corporation will continue to prioritize free funds flow generation and further debt reduction in order to significantly reduce the risks relating to lower commodity prices and unforeseen market events such as the industry experienced in 2020. The strength of Birchcliff's balance sheet also provides it with the optionality to increase shareholder returns, including increased dividends and common share repurchases under its NCIB. Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to enter into any, which gives it the ability to take advantage of the strong commodity prices forecast for 2022.

Although Birchcliff has not yet finalized its 2022 capital spending plans, it is currently targeting F&D capital spending of $240 million to $260 million, which takes into account expected increases in materials, labour and services costs as compared to the current year. Birchcliff remains committed to maintaining a flat annual average production profile in 2022, supported by its low decline assets, and expects its 2022 annual average production to be 78,000 to 80,000 boe/d, which takes into account significant planned turnarounds at the Corporation's 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") and AltaGas's deep-cut sour gas processing facility in Gordondale. The 2022 capital program will be designed to utilize two drilling rigs in order to bring new wells onto production throughout the year, which will allow for a more consistent production profile and be more operationally efficient for the Corporation. Birchcliff anticipates that this will result in comparable annual average production rates year-over-year, with strong production in Q4 2022.

Birchcliff continues to work through its plans for 2022 and expects to announce details of its 2022 capital program and guidance on January 19, 2022.

(1) Based on the mid-points of Birchcliff's 2022 annual average production and F&D capital expenditures outlook. Assumes the following 2022 commodity prices and exchange rate as of November 4, 2021: an average WTI price of US$75.00/bbl; an average WTI-MSW differential of CDN$5.00/bbl; an average AECO 5A price of CDN$4.15/GJ; an average Dawn price of US$4.25/MMBtu; an average NYMEX HH price of US$4.30/MMBtu; and an exchange rate (CDN$ to US$1) of 1.25.

Revised 2021 Guidance

As a result of the continued successful results that Birchcliff has achieved this year and the ongoing strength of forward commodity prices, Birchcliff is revising its commodity price assumptions for 2021 and its guidance for adjusted funds flow, free funds flow and total debt. The Corporation is also updating its production and F&D capital expenditures guidance. Significant changes to Birchcliff's 2021 guidance include the following:

- Adjusted funds flow guidance has been increased to $575 million (previously $500 million), primarily as a result of the improvement in the commodity price forecast.
- F&D capital expenditures are now expected to be between $225 million to $230 million, which is within the Corporation's previous guidance of $210 million to $230 million.
- Free funds flow guidance has been increased to $345 million to $350 million (previously $270 million to $290 million), as a result of higher anticipated adjusted funds flow in 2021.
- Total debt at year end is now expected to be $450 million to $455 million (previously $500 million to $520 million), primarily as a result of higher anticipated free funds flow in 2021.
- Annual average production guidance has been tightened to 79,000 to 80,000 boe/d (within the Corporation's previous guidance range of 79,000 to 81,000 boe/d) and second half average production guidance has been updated to 82,000 to 83,000 boe/d (previously 84,000 to 86,000 boe/d). Birchcliff's production was impacted by a force majeure event at a third-party fractionation facility and a significant outage on a third-party NGLs pipeline system that occurred in the late third and early fourth quarters.
- Average royalty expense is now expected to be $2.60/boe to $2.80/boe (previously $2.40/boe to $2.60/boe), primarily as a result of the improvement in the commodity price forecast.
- Average operating expense is now expected to be $3.00/boe to $3.20/boe (previously $2.90/boe to $3.10/boe), primarily as a result of the strengthening commodity prices that have increased power and fuel costs.

The following table sets forth Birchcliff's revised and previous guidance and commodity price assumptions for 2021:

	Revised 2021 guidance and assumptions – November 10, 2021[1]	Previous 2021 guidance and assumptions – August 11, 2021	Original 2021 guidance and assumptions – January 20, 2021[2]
Production			
Annual average production *(boe/d)*	79,000 – 80,000	79,000 – 81,000	78,000 – 80,000
% Light oil	4%	4%	5%
% Condensate	7%	7%	9%
% NGLs	10%	10%	10%
% Natural gas	79%	79%	76%
Second half 2021 average production *(boe/d)*	82,000 – 83,000	84,000 – 86,000	83,000 – 85,000
Average Expenses *($/boe)*			
Royalty	2.60 – 2.80	2.40 – 2.60	1.15 – 1.35
Operating	3.00 – 3.20	2.90 – 3.10	2.90 – 3.10
Transportation and other	5.00 – 5.20	5.00 – 5.20	5.00 – 5.20
Adjusted Funds Flow *(MM$)*	575[3]	500	360
F&D Capital Expenditures *(MM$)*	225 – 230[4]	210 – 230	210 – 230
Free Funds Flow *(MM$)*[5]	345 – 350	270 – 290	130 – 150
Total Debt at Year End *(MM$)*	450 – 455[6]	500 – 520	635 – 655
Natural Gas Market Exposure[7]			
AECO exposure as a % of total natural gas production	7%	13%	12%[8]
Dawn exposure as a % of total natural gas production	43%	43%	44%
NYMEX HH exposure as a % of total natural gas production	38%	38%	38%[8]
Alliance exposure as a % of total natural gas production	12%	6%	6%
Commodity Prices			
Average WTI price *(US$/bbl)*	69.00[9]	66.00	50.00
Average WTI-MSW differential *(CDN$/bbl)*	5.50[9]	5.50	6.00
Average AECO 5A price *(CDN$/GJ)*	3.55[9]	3.30	2.50
Average Dawn price *(US$/MMBtu)*[10]	3.80[9]	3.40	2.75
Average NYMEX HH price *(US$/MMBtu)*[10]	3.85[9]	3.45	2.80
Exchange rate *(CDN$ to US$1)*	1.25[9]	1.25	1.27

(1) Birchcliff's guidance for its commodity mix, adjusted funds flow and natural gas market exposure in 2021 is based on an annual average production rate of 79,500 boe/d during 2021, which is the mid-point of Birchcliff's revised annual average production guidance for 2021.

(2) Except where otherwise noted, as previously disclosed on January 20, 2021.

(3) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at November 10, 2021.

(4) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and the capitalized portion of annual cash incentive payments. See *"Advisories – Capital Expenditures"* in this MD&A.

(5) Free funds flow is calculated as adjusted funds flow less F&D capital expenditures and is prior to acquisitions and dispositions, dividend payments, common share repurchases, preferred share redemptions, proceeds received from the exercise of Options and performance warrants, abandonment and reclamation obligations, administrative assets, financing fees and capital lease obligations. See *"Non-GAAP Measures"* in this MD&A.

(6) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of common share and preferred share dividends paid by the Corporation remains consistent with previous years, with the dividend rates and applicable taxes remaining unchanged; (ii) that there are approximately 266 million common, 2,000,000 series A and 1,533,108 series C preferred shares outstanding, with no additional redemptions of series C preferred shares or buybacks of common shares occurring during the remainder of 2021; (iii) that there is no repayment of debt using the proceeds from asset dispositions or equity issuances; (iv) that there are no proceeds received from the exercise of Options and performance warrants during the remainder of 2021; (v) that the 2021 Capital Program will be carried out as currently contemplated and the level of capital spending set forth herein will be achieved; and (vi) the targets for production, production commodity mix, capital expenditures, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. The amount set forth in the table above does not include annual cash incentive payments.

(7) Birchcliff's revised guidance regarding its natural gas market exposure, as updated on November 10, 2021, assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 53,000 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium; and (iii) 152,500 MMBtu/d being contracted on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(8) Updated on March 10, 2021.

(9) Updated commodity price and exchange rate assumptions are based on anticipated full-year averages, which include actual settled benchmark commodity prices and exchange rate for the period from January 1, 2021 to September 30, 2021 and forward strip benchmark commodity prices and exchange rate as of November 4, 2021 for the period from October 1, 2021 to December 31, 2021.

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

Adjusted Funds Flow Sensitivity

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate during the fourth quarter of 2021 on the Corporation's estimate of adjusted funds flow for 2021 of $575 million:

Forward three months' sensitivity[1]	**Estimated change to 2021 adjusted funds flow *(MM$)***[2][3]
Change in WTI US$1.00/bbl	1.2
Change in NYMEX HH US$0.10/MMBtu	1.8
Change in Dawn US$0.10/MMBtu	1.8
Change in AECO CDN$0.10/GJ	2.1
Change in CDN/US exchange rate CDN$0.01	1.4

(1) Adjusted funds flow sensitivities take into account actual settled benchmark commodity prices and exchange rate for the period from January 1, 2021 to September 30, 2021 and forward strip benchmark commodity prices and exchange rate as of November 4, 2021 for the period from October 1, 2021 to December 31, 2021.

(2) See the guidance table above.

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

Changes in assumed commodity prices and variances in production estimates can have an impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact may be material. For further information, see "*Advisories – Forward-Looking Statements*" in this MD&A.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Cash flow from operating activities *($000s)*	**155,606**	**52,977**	**319,227**	**116,749**
Adjusted funds flow *($000s)*[1]	**168,076**	**59,377**	**346,084**	**118,017**
Per common share – basic *($)*[1]	0.63	0.22	1.30	0.44
Per common share – diluted *($)*[1]	0.61	0.22	1.27	0.44
Adjusted funds flow netback *($/boe)*[1]	21.51	8.23	16.16	5.69

(1) See *"Non-GAAP Measures"* in this MD&A.

Adjusted funds flow in the three and nine month Reporting Periods increased by 183% and 193%, respectively, from the Comparable Prior Periods. The increases were 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 70% and 68% increase in the average realized sales price received for Birchcliff's production as compared to the three and nine month Comparable Prior Periods, respectively. The Corporation's average realized sales price in the Reporting Periods benefited from the significant increases in benchmark oil and natural gas prices since the Comparable Prior Periods. See *"Discussion of Operations – Petroleum and Natural Gas Revenue"* and *"Discussion of Operations – Royalties"* in this MD&A for further information regarding the period-over-period movement in revenue, commodity prices and royalties.

Cash flow from operating activities for the three and nine month Reporting Periods increased by 194% and 173%, respectively, from the Comparable Prior Periods. The reasons for the increases are consistent with the explanation for the increases to adjusted funds flow; however, cash flow from operating activities in the Reporting Periods was also impacted by changes to non-cash operating working capital primarily due to an increase in accounts receivable as a result of higher commodity prices. See "*Non-GAAP Measures*" in this MD&A for the reconciliation of cash flow from operating activities, as determined in accordance with GAAP, to adjusted funds flow.

Birchcliff continues to focus on its total cash cost structure. The following table sets forth a breakdown of the Corporation's total cash costs on a per unit basis for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
($/boe)	**2021**	**2020**	**% Change**	**2021**	**2020**	**% Change**
Royalty expense	2.50	0.55	355	2.23	0.56	298
Operating expense	2.96	2.73	8	3.09	2.91	6
Transportation and other expense(1)	4.73	4.49	5	5.22	4.94	6
G&A expense, net	0.70	0.67	4	0.83	0.80	4
Interest expense	0.92	0.93	(1)	1.10	0.84	31
Total cash costs(1)	**11.81**	**9.37**	**26**	**12.47**	**10.05**	**24**

(1) See *"Non-GAAP Measures"* in this MD&A.

Excluding royalty expense on a per unit basis, Birchcliff's total cash costs in the Reporting Periods remained largely similar as compared to the Comparable Prior Periods. Royalty expense per boe increased in the Reporting Periods due to a higher average realized sales price received for Birchcliff's production as compared to the Comparable Prior Periods. See *"Discussion of Operations"* in this MD&A for further details regarding the period-over-period movement in total cash cost inputs.

NET INCOME AND LOSS TO COMMON SHAREHOLDERS

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss) to common shareholders *($000s)*	**138,367**	**(17,692)**	**204,387**	**(102,415)**
Per common share – basic *($)*	0.52	(0.07)	0.77	(0.39)
Per common share – diluted *($)*	0.50	(0.07)	0.75	(0.39)
Net income (loss) to common shareholders *($/boe)*	17.71	(2.45)	9.54	(4.94)

The change to a net income position in the Reporting Periods was primarily due to higher adjusted funds flow and an unrealized after-tax mark-to-market gain on financial instruments of $54.3 million and $64.8 million in the three and nine month Reporting Periods, respectively, as compared to an unrealized after-tax mark-to-market loss on financial instruments of $19.7 million and $59.8 million in the three and nine month Comparable Prior Periods. See *"Discussion of Operations – Risk Management"* in this MD&A for further details regarding the period-over-period movement in unrealized gains and losses on financial instruments.

POUCE COUPE GAS PLANT NETBACKS

During the nine month Reporting Period, Birchcliff processed 69% of its total corporate natural gas production and 62% of its total corporate production through the Pouce Coupe Gas Plant, as compared to 69% and 59%, respectively, during the Comparable Prior Period. The following table sets forth Birchcliff's average daily production and operating netback for wells producing to the Pouce Coupe Gas Plant for the periods indicated:

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Average production:				
Condensate *(bbls/d)*		4,019		4,126
NGLs *(bbls/d)*		1,789		1,056
Natural gas *(Mcf/d)*		255,870		238,482
Total *(boe/d)*		**48,453**		**44,929**
Liquids-to-gas ratio[1] *(bbls/MMcf)*		**22.7**		**21.7**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[2]	4.76	28.59	2.87	17.19
Royalty expense	(0.29)	(1.76)	(0.05)	(0.30)
Operating expense[3]	(0.37)	(2.22)	(0.37)	(2.17)
Transportation and other expense[4]	(0.91)	(5.47)	(0.88)	(5.30)
Operating netback[4]	**$3.19**	**$19.14**	**$1.57**	**$9.42**
Operating margin[5]	**67%**	**67%**	**55%**	**55%**

(1) Liquids consists of condensate and other NGLs.

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

(3) Represents plant and field operating expense.

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

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

Birchcliff's liquids-to-gas ratio at the Pouce Coupe Gas Plant increased by 5% from the nine month Comparable Prior Period primarily due to increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in the fourth quarter of 2020.

Operating netback per boe and operating margin increased from the nine month Comparable Prior Period primarily due to higher per boe P&NG revenue, partially offset by a higher per boe royalty expense, both of which were largely impacted by a higher average realized sales price received for Birchcliff's production in Pouce Coupe.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

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

			Three months ended September 30, 2021			Three months ended September 30, 2020
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
Light oil	150	21,943	22,112	111	19,544	19,655
Condensate	34,469	14,048	48,517	25,835	6,428	32,263
NGLs	6,497	15,770	22,267	1,829	7,087	8,917
Natural gas	122,090	48,351	170,441	57,841	24,100	81,940
P&NG sales(2)	163,206	100,112	263,337	85,616	57,159	142,775
Royalty income	1	3	11	1	1	4
P&NG revenue	**163,207**	**100,115**	**263,348**	**85,617**	**57,160**	**142,779**
% of corporate P&NG revenue	**62%**	**38%**		**60%**	**40%**	

			Nine months ended September 30, 2021			Nine months ended September 30, 2020
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate(1)**
Light oil	435	61,113	61,605	420	51,811	52,238
Condensate	91,203	39,071	130,274	53,241	16,751	69,992
NGLs	16,919	42,336	59,256	5,971	19,832	25,802
Natural gas	281,792	109,641	391,438	160,610	61,570	222,180
P&NG sales(2)	390,349	252,161	642,573	220,242	149,964	370,212
Royalty income	4	6	27	3	2	10
P&NG revenue	**390,353**	**252,167**	**642,600**	**220,245**	**149,966**	**370,222**
% of corporate P&NG revenue	**61%**	**39%**		**59%**	**41%**	

(1) Includes adjustments for 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 84% and 74% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to the higher average realized sales price Birchcliff received for its production in the three and nine month Reporting Periods. The Corporation's average realized sales price increased as a result of the significant increases in benchmark oil and natural gas prices since the Comparable Prior Periods. See *"Discussion of Operations – Commodity Prices"* in this MD&A for further details regarding the period-over-period movement in Birchcliff's average realized sales prices.

Production

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

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Pouce Coupe assets	Gordondale assets	Corporate[1]	Pouce Coupe assets	Gordondale assets	Corporate[1]
Light oil *(bbls/d)*	19	2,856	2,878	25	4,380	4,405
Condensate *(bbls/d)*	4,280	1,710	5,990	5,845	1,421	7,266
NGLs *(bbls/d)*	1,696	5,193	6,889	1,132	5,766	6,898
Natural gas *(Mcf/d)*	295,880	119,121	415,005	249,837	109,014	358,851
Production *(boe/d)*	**55,309**	**29,612**	**84,924**	**48,641**	**29,735**	**78,376**
Liquids-to-gas ratio *(bbls/MMcf)*	**20.3**	**81.9**	**38.0**	**28.0**	**106.1**	**51.7**
% of corporate production	**65%**	**35%**		**62%**	**38%**	
	Nine months ended September 30, 2021			**Nine months ended September 30, 2020**		
	Pouce Coupe assets	**Gordondale assets**	**Corporate[1]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[1]**
Light oil *(bbls/d)*	21	2,974	2,998	38	4,661	4,700
Condensate *(bbls/d)*	4,121	1,723	5,844	4,241	1,304	5,545
NGLs *(bbls/d)*	1,831	5,919	7,750	1,134	6,303	7,436
Natural gas *(Mcf/d)*	264,613	106,554	371,175	248,094	99,693	347,787
Production *(boe/d)*	**50,075**	**28,375**	**78,454**	**46,761**	**28,883**	**75,645**
Liquids-to-gas ratio *(bbls/MMcf)*	**22.6**	**99.6**	**44.7**	**21.8**	**123.1**	**50.8**
% of corporate production	**64%**	**36%**		**62%**	**38%**	

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

Birchcliff's corporate production increased by 8% and 4% from the three and nine month Comparable Prior Periods, respectively. Production in the Reporting Periods was positively impacted by incremental production volumes from the new Montney/Doig light oil and condensate-rich natural gas wells brought on production since the Comparable Prior Periods. Production in the Reporting Periods was negatively impacted by natural production declines and a force majeure event at a third-party fractionation facility and a significant outage on a third-party NGLs pipeline system experienced in late September 2021. Production in the nine month Reporting Period was also negatively impacted by scheduled plant turnarounds in May 2021 at Phases V and VI of the Pouce Coupe Gas Plant and extreme heat conditions in June 2021, which reduced production processing capabilities in the field.

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

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Pouce Coupe assets	Gordondale assets	Corporate[1]	Pouce Coupe assets	Gordondale assets	Corporate[1]
% Light oil production	-	10%	3%	-	15%	6%
% Condensate production	8%	6%	8%	12%	5%	9%
% NGLs production	3%	18%	8%	2%	19%	9%
% Natural gas production	89%	66%	81%	86%	61%	76%
	Nine months ended September 30, 2021			**Nine months ended September 30, 2020**		
	Pouce Coupe assets	**Gordondale assets**	**Corporate[1]**	**Pouce Coupe assets**	**Gordondale assets**	**Corporate[1]**
% Light oil production	-	10%	4%	-	16%	6%
% Condensate production	8%	6%	7%	10%	5%	7%
% NGLs production	4%	21%	10%	2%	22%	10%
% Natural gas production	88%	63%	79%	88%	57%	77%

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

Birchcliff's corporate liquids accounted for approximately 19% and 21% of total production in the three and nine month Reporting Periods, respectively, as compared to approximately 24% and 23% in the Comparable Prior Periods. The change in the corporate commodity production mix was primarily due to Birchcliff specifically targeting natural gas wells in the Pouce Coupe and Gordondale areas since the Comparable Prior Periods.

Commodity Prices

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

	Three months ended September 30,			Nine months ended September 30,		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	71.06	40.27	76	65.01	37.68	73
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	83.32	48.09	73	75.52	41.50	82
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	4.01	1.98	103	3.18	1.86	71
Natural gas – AECO 5A Daily *(CDN$/GJ)*	3.41	2.13	60	3.11	1.98	57
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	2.83	1.62	75	2.48	1.52	63
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	4.07	1.82	124	3.27	1.74	88
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.01	2.12	89	3.79	1.80	111
Exchange rate *(CDN$ to US$1)*	1.2504	1.3316	(6)	1.2517	1.3539	(8)
Exchange rate *(US$ to CDN$1)*	0.7997	0.7509	6	0.7989	0.7386	8

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

Birchcliff physically sells substantially all of its light oil production based on the MSW benchmark price and substantially all of its natural gas production based on the AECO 5A and Dawn benchmark prices. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. Birchcliff has also diversified a portion of its AECO production to NYMEX HH-based pricing, predominantly on a financial basis, beginning January 1, 2019 and ending December 31, 2025. Birchcliff sold financial AECO 7A basis swaps for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Periods as compared to 135,200 MMBtu/d and US$1.234/MMBtu in the Comparable Prior Periods. See *"Discussion of Operations – Risk Management*" in this MD&A.

The average realized sales prices the Corporation receives for its light oil and natural gas production depend on a number of factors, including the average benchmark prices for crude oil and natural gas, the US to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on its natural gas production.

The benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for crude oil. The principal benchmark trading exchanges that Birchcliff compares its oil price to are the WTI price and the MSW price. The differential between the WTI price and the MSW price can fluctuate due to a number of factors, including, but not limited to, domestic oil supply and demand balance, North American refinery utilization rates and inventory levels and pipeline infrastructure capacity connecting key oil consuming markets.

The WTI benchmark oil index price increased significantly from the Comparable Prior Periods. In February 2020, benchmark oil prices started a precipitous drop predominantly due to the COVID-19 pandemic and resulting significant oil demand destruction in the Comparable Prior Periods. Benchmark oil prices began to recover in the second half of 2020 and into the Reporting Periods due to continued production curtailments by OPEC+ and an increase in global oil demand and drawdown of global oil inventories.

Canadian natural gas prices are influenced by regional and global supply and demand fundamentals which can be impacted by a number of factors, including, but not limited to, production growth levels, weather-related conditions in key natural gas consuming markets, changing demographics, economic growth, inventory levels, access to underground storage, net import and export LNG markets, pipeline supply takeaway capacity, maintenance on key natural gas infrastructure, cost of competing renewable and non-renewable energy alternatives, drilling and completion rates and efficiencies in extracting natural gas from North American natural gas basins. Natural gas benchmark prices increased significantly from the Comparable Prior Periods predominantly due to an improved supply and demand balance in North America resulting from weather-related natural gas supply disruptions, an increase in weather-related domestic demand for natural gas and an increase in US LNG exports due to significant global demand for natural gas during the Reporting Periods.

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

	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Light oil *($/bbl)*	83.52	48.50	72	75.28	40.57	86
Condensate *($/bbl)*	88.04	48.27	82	81.65	46.07	77
NGLs *($/bbl)*	35.13	14.05	150	28.01	12.66	121
Natural gas *($/Mcf)*	4.46	2.48	80	3.86	2.33	66
Average realized sales price *($/boe)*[(1)]	**33.70**	**19.80**	**70**	**30.00**	**17.86**	**68**

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

The Corporation's average realized sales price increased by 70% and 68% from the three and nine month Comparable Prior Periods, respectively, primarily due to higher average benchmark commodity prices.

Natural Gas Sales, Production and Average Realized Sales Price

The following table sets forth Birchcliff's sales, average daily production and average realized sales price by physical natural gas market for the periods indicated, before taking into account the Corporation's financial instruments:

	Three months ended September 30, 2021					Three months ended September 30, 2020				
	Natural gas sales *($000s)*[(1)]	*(%)*	Natural gas production *(Mcf/d)*	*(%)*	Average realized sales price *($/Mcf)*[(1)]	Natural gas sales *($000s)*[(1)]	*(%)*	Natural gas production *(Mcf/d)*	*(%)*	Average realized sales price *($/Mcf)*[(1)]
AECO	65,886	39	186,718	45	3.87	40,259	49	181,984	51	2.41
Dawn	78,554	46	158,631	38	5.38	37,723	46	158,745	44	2.58
Alliance[(2)]	26,001	15	69,656	17	4.06	3,958	5	18,122	5	2.37
Total	**170,441**	**100**	**415,005**	**100**	**4.46**	**81,940**	**100**	**358,851**	**100**	**2.48**
	Nine months ended September 30, 2021					**Nine months ended September 30, 2020**				
	Natural gas sales *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	148,998	38	155,857	42	3.50	108,451	49	178,134	51	2.23
Dawn	185,449	47	159,414	43	4.26	107,943	48	159,024	46	2.48
Alliance[(2)]	56,991	15	55,904	15	3.73	5,786	3	10,629	3	1.99
Total	**391,438**	**100**	**371,175**	**100**	**3.86**	**222,180**	**100**	**347,787**	**100**	**2.33**

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

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

Risk Management

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

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position on a mark-to-market fair value basis at September 30, 2021, 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 AECO 7A financial basis swaps outstanding at September 30, 2021 is summarized on an annual basis as set forth below:

Product	Type of Contract	Average Notional Quantity	Remaining Term	Average Contract Price
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2021	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2022 – Dec. 31, 2022	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.120/MMBtu
Natural gas	AECO 7A basis swap(1)	147,500 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.088/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no financial derivative contracts entered into subsequent to September 30, 2021 to manage commodity price risk.

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

At September 30, 2021, the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap(1)	5,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to September 30, 2021 to manage commodity price risk.

Interest Rate Risk

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

At September 30, 2021, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term(1)	Notional value	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR(2)	Oct. 1 2021 – Mar. 1, 2024	$350 million	2.215%

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

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

There were no financial derivative contracts entered into subsequent to September 30, 2021 to manage interest rate risk.

Realized and Unrealized Gains and Losses on Financial Instruments

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

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Realized (loss) on financial instruments	(2,469)	(0.32)	(16,440)	(2.28)	(31,359)	(1.46)	(47,846)	(2.31)
Unrealized gain (loss) on financial instruments	70,493	9.02	(25,632)	(3.55)	84,213	3.93	(77,683)	(3.75)

Birchcliff realized a cash loss on financial instruments of $2.5 million and $31.4 million in the three and nine month Reporting Periods, respectively, primarily due to the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Periods. Birchcliff's realized cash losses on its financial instruments decreased from the Comparable Prior Periods primarily due to the increase in the basis spread between NYMEX HH and AECO 7A contracts settled during the Reporting Periods.

Birchcliff recorded an unrealized non-cash gain on financial instruments of $70.5 million and $84.2 million in the three and nine month Reporting Periods, respectively. The changes from unrealized losses to unrealized gains in the Reporting Periods resulted from the decrease in the fair value liability of the Corporation's financial instruments to $83.8 million at September 30, 2021 from a liability position of $154.3 million and $168.0 million at June 30, 2021 and December 31, 2020, respectively. The change in the fair value of financial instruments in the Reporting Periods was primarily due to: (i) the increase in the forward basis spread between NYMEX HH and AECO 7A contracts outstanding at September 30, 2021 as compared to the fair value previously assessed at June 30, 2021 and December 31, 2020; and (ii) the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Periods.

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

Royalties

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Royalty expense *($000s)*[1]	19,500	3,935	47,819	11,682
Royalty expense *($/boe)*	2.50	0.55	2.23	0.56
Effective royalty rate *(%)*[2]	7%	3%	7%	3%

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

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

On a per boe basis, royalty expense increased by 355% and 298% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to a 70% and 68% increase in the average realized sales price received for Birchcliff's production in the Reporting Periods, respectively, and the effect these prices had on the sliding scale royalty calculation.

Operating Expense

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Field operating expense	24,715	21,380	70,326	64,130
Recoveries	(1,551)	(1,712)	(4,126)	(3,715)
Operating expense	**23,164**	**19,668**	**66,200**	**60,415**
Operating expense per boe	**$2.96**	**$2.73**	**$3.09**	**$2.91**

On a per boe basis, operating expense increased by 8% and 6% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to stronger commodity prices, which resulted in higher power and fuel costs, partially offset by higher average production in the Reporting Periods as compared to the Comparable Prior Periods. Operating expense during the Reporting Periods was also negatively impacted by higher municipal property taxes as compared to the Comparable Prior Periods. In 2020, the Alberta Government provided municipal property tax relief in response to the COVID-19 pandemic; however, this tax relief was discontinued in 2021.

Birchcliff is committed to maintaining its low-cost operating structure by executing on various field optimization and cost-saving initiatives in Pouce Coupe and Gordondale, which included the completed expansion of Birchcliff's liquids-handling capabilities in Pouce Coupe in the three month Comparable Prior Period. Birchcliff's operating cost structure in the Reporting Periods and Comparable Prior Periods remained largely unaffected by the COVID-19 pandemic.

Transportation and Other

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Natural gas transportation	28,913	25,982	86,319	79,505
Liquids transportation	6,870	7,373	21,018	21,301
Fractionation(1)	2,122	(36)	6,343	3,246
Other fees	55	30	129	95
Transportation expense	37,960	33,349	113,809	104,147
Transportation expense per boe	$4.86	$4.62	$5.31	$5.02
Marketing purchases(2)	8,840	3,532	12,621	9,975
Marketing revenue(2)	(9,861)	(4,422)	(14,553)	(11,798)
Marketing gain(2)	(1,021)	(890)	(1,932)	(1,823)
Marketing gain per boe	$(0.13)	$(0.13)	$(0.09)	$(0.08)
Transportation and other expense(3)	**36,939**	**32,459**	**111,877**	**102,324**
Transportation and other expense per boe(3)	**$4.73**	**$4.49**	**$5.22**	**$4.94**

(1) Includes a $1.4 million prior-period equalization credit from third-party fractionation operators recorded in the three month Comparable Prior Period.

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

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

On a per boe basis, transportation and other expense increased by 5% and 6% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to additional AECO firm service transportation on the NGTL system during the Reporting Periods.

Operating Netback

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Pouce Coupe assets:				
Average production:				
Light oil *(bbls/d)*	19	25	21	38
Condensate *(bbls/d)*	4,280	5,845	4,121	4,241
NGLs *(bbls/d)*	1,696	1,132	1,831	1,134
Natural gas *(Mcf/d)*	295,880	249,837	264,613	248,094
Total *(boe/d)*	**55,309**	**48,641**	**50,075**	**46,761**
% of corporate production	65%	62%	64%	62%
Liquids-to-gas ratio *(bbls/MMcf)*	20.3	28.0	22.6	21.8
Netback and cost ($/boe):				
Petroleum and natural gas revenue(1)	32.07	19.13	28.55	17.19
Royalty expense	(1.89)	(0.27)	(1.76)	(0.34)
Operating expense	(2.22)	(1.95)	(2.36)	(2.12)
Transportation and other expense(2)	(4.92)	(4.90)	(5.50)	(5.26)
Operating netback(2)	**23.04**	**12.01**	**18.93**	**9.47**
Gordondale assets:				
Average production:				
Light oil *(bbls/d)*	2,856	4,380	2,974	4,661
Condensate *(bbls/d)*	1,710	1,421	1,723	1,304
NGLs *(bbls/d)*	5,193	5,766	5,919	6,303
Natural gas *(Mcf/d)*	119,121	109,014	106,554	99,693
Total *(boe/d)*	**29,612**	**29,735**	**28,375**	**28,883**
% of corporate production	35%	38%	36%	38%
Liquids-to-gas ratio *(bbls/MMcf)*	81.9	106.1	99.6	123.1
Netback and cost ($/boe):				
Petroleum and natural gas revenue(1)	36.75	20.90	32.55	18.95
Royalty expense	(3.62)	(0.99)	(3.07)	(0.93)
Operating expense	(4.34)	(3.97)	(4.36)	(4.18)
Transportation and other expense(2)	(4.38)	(3.87)	(4.74)	(4.40)
Operating netback(2)	**24.41**	**12.07**	**20.38**	**9.44**
Total Corporate:				
Average production:				
Light oil *(bbls/d)*	2,878	4,405	2,998	4,700
Condensate *(bbls/d)*	5,990	7,266	5,844	5,545
NGLs *(bbls/d)*	6,889	6,898	7,750	7,436
Natural gas *(Mcf/d)*	415,005	358,851	371,175	347,787
Total *(boe/d)*(3)	**84,924**	**78,376**	**78,454**	**75,645**
Liquids-to-gas ratio *(bbls/MMcf)*	38.0	51.7	44.7	50.8
Netback and cost ($/boe):				
Petroleum and natural gas revenue(1)	33.71	19.80	30.00	17.86
Royalty expense	(2.50)	(0.55)	(2.23)	(0.56)
Operating expense	(2.96)	(2.73)	(3.09)	(2.91)
Transportation and other expense(2)	(4.73)	(4.49)	(5.22)	(4.94)
Operating netback(2)	**23.52**	**12.03**	**19.46**	**9.45**

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

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

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

Pouce Coupe Assets

Birchcliff's average production from its Pouce Coupe assets increased by 14% and 7% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to incremental production volumes from the horizontal natural gas wells brought on production in Pouce Coupe since the Comparable Prior Periods. Production in the Reporting Periods was negatively impacted by natural production declines and a force majeure event at a third-party fractionation facility and a significant outage on a third-party NGLs pipeline system experienced in late September 2021. Production in the nine month Reporting Period was also negatively impacted by scheduled plant turnarounds in May 2021 at Phases V and VI of the Pouce Coupe Gas Plant and extreme heat conditions in June 2021, which reduced production processing capabilities in the field.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets decreased by 28% from the three month Comparable Prior Period and increased by 4% from the nine month Comparable Prior Period. The decrease in the three month Reporting Period was primarily due to the Corporation specifically targeting horizontal natural gas wells in Pouce Coupe and natural production declines from the condensate-rich 14-well pad which was brought on production in the third quarter of 2020, partially offset by increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant. The increase in the nine month Reporting Period was primarily due to increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in the fourth quarter of 2020.

Birchcliff's operating netback for the Pouce Coupe assets increased by 92% and 100% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to higher per boe petroleum and natural gas revenue received for the Corporation's Pouce Coupe production, partially offset by a higher per boe royalty expense, both of which were largely impacted by the significant increases in benchmark oil and natural gas prices since the Comparable Prior Periods.

Gordondale Assets

Birchcliff's average production from its Gordondale assets remained consistent with the three month Comparable Prior Period and decreased by 2% from the nine month Comparable Prior Period. Production in the nine month Reporting Period was negatively impacted by natural production declines, extreme heat conditions in June 2021, which reduced production processing capabilities in the field, and a force majeure event at a third-party fractionation facility and a significant outage on a third-party NGLs pipeline system experienced in late September 2021, partially offset by new horizontal light oil and natural gas wells that were brought on production in Gordondale since the Comparable Prior Periods.

Birchcliff's liquids-to-gas ratio for the Gordondale assets decreased by 23% and 19% from the three and nine month Comparable Prior Periods, respectively. The decreases were primarily due to higher natural gas production rates on the incremental production from new light oil and natural gas wells that were brought on production in Gordondale and natural production declines from horizontal light oil wells brought on production since the Comparable Prior Periods.

Birchcliff's operating netback for the Gordondale assets increased by 102% and 116% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to higher per boe petroleum and natural gas revenue received for the Corporation's Gordondale production, partially offset by a higher per boe royalty expense, both of which were largely impacted by the significant increases in benchmark oil and natural gas prices since the Comparable Prior Periods.

Administrative Expense

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

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	($000s)	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*	*($000s)*	*(%)*
Cash:								
Salaries and benefits[1]	6,392	70	6,007	70	19,176	67	18,464	67
Other[2]	2,795	30	2,520	30	9,566	33	9,234	33
G&A expense, gross	9,187	100	8,527	100	28,742	100	27,698	100
Operating overhead recoveries	(33)	(1)	(32)	(1)	(107)	(1)	(100)	(1)
Capitalized overhead[3]	(3,648)	(39)	(3,691)	(42)	(10,873)	(37)	(11,011)	(39)
G&A expense, net	5,506	60	4,804	57	17,762	62	16,587	60
G&A expense, net per boe	$0.70		$0.67		$0.83		$0.80	
Non-cash:								
Other compensation	1,447	100	1,274	100	3,979	100	4,224	100
Capitalized compensation[3]	(895)	(62)	(702)	(55)	(2,302)	(58)	(2,357)	(56)
Other compensation, net	552	38	572	45	1,677	42	1,867	44
Other compensation, net per boe	$0.07		$0.08		$0.08		$0.09	
Administrative expense, net	**6,058**		**5,376**		**19,439**		**18,454**	
Administrative expense, net per boe	**$0.77**		**$0.75**		**$0.91**		**$0.89**	

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

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

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

Net administrative expense on an aggregate basis increased by 13% and 5% from the three and nine month Comparable Prior Periods, respectively, primarily due to higher consulting fees, employee benefit costs and general business expenditures.

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

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	Number	**Price *($)*[1]**	**Number**	**Price *($)*[1]**	**Number**	**Price *($)*[1]**	**Number**	**Price *($)*[1]**
Outstanding, beginning	20,820,485	3.19	21,139,001	4.00	26,134,201	3.56	23,483,368	4.28
Granted[2]	157,500	5.11	53,000	1.16	253,000	4.38	177,500	1.20
Exercised	(1,819,426)	(3.19)	-	-	(2,830,039)	(3.09)	-	-
Forfeited	(16,402)	(2.24)	(8,500)	(1.18)	(2,063,439)	(7.57)	(66,067)	(2.93)
Expired	(136,501)	(8.70)	(49,000)	(6.47)	(2,488,067)	(3.81)	(2,460,300)	(6.59)
Outstanding, ending	**19,005,656**	**3.17**	**21,134,501**	**3.99**	**19,005,656**	**3.17**	**21,134,501**	**3.99**

(1) Calculated on a weighted average basis.

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

At September 30, 2021, there were also 2,939,732 performance warrants outstanding to purchase an equivalent number of common shares. The performance warrants have an exercise price of $3.00 per common share and an expiry date of January 31, 2025.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved and probable reserves additions, the F&D costs attributable to those reserves, the associated future development 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 September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Depletion and depreciation expense	57,085	54,374	158,841	158,205
Depletion and depreciation expense per boe	$7.31	$7.54	$7.42	$7.63

D&D expense on an aggregate basis increased by 5% from the three month Comparable Prior Period primarily due to higher production, partially offset by an increase in the Corporation's proved and probable reserves at September 30, 2021. D&D expense on an aggregate basis in the nine month Reporting Period remained consistent with the nine month Comparable Prior Period.

Finance Expense

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Cash:				
Interest expense(1)	7,154	6,736	23,613	17,415
Interest expense per boe(1)	$0.92	$0.93	$1.10	$0.84
Non-cash:				
Accretion(2)	907	627	2,533	2,186
Amortization of deferred financing fees	239	249	730	981
Other expenses	1,146	876	3,263	3,167
Other expenses per boe	$0.15	$0.12	$0.15	$0.16
Finance expense	**8,300**	**7,612**	**26,876**	**20,582**
Finance expense per boe	**$1.07**	**$1.05**	**$1.25**	**$1.00**

(1) At September 30, 2020, the Credit Facilities were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. The agreement governing the Credit Facilities was amended effective May 6, 2021 to: (i) extend the maturity dates of each of the Syndicated Credit Facility and Working Capital Facility from May 11, 2022 to May 11, 2024; and (ii) decrease the borrowing base limit to $850.0 million from $1.0 billion, with the Syndicated Credit Facility being decreased to $750.0 million and the Working Capital Facility remaining at $100.0 million. See *"Capital Resources and Liquidity"* in this MD&A.

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

Birchcliff's aggregate interest expense in the Reporting Periods increased by 6% and 36% from the three and nine month Comparable Prior Periods, respectively. The increases were primarily due to higher stamping fees applicable to the Syndicated Credit Facility and higher average market interest rates on drawn loans in the Reporting Periods. Interest expense was also positively impacted by lower average outstanding Syndicated Credit Facility balances in the three month Reporting Period and negatively impacted by higher average outstanding Syndicated Credit Facility balances in the nine month Reporting Period.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Working Capital Facility	5.0%	4.0%	5.0%	4.0%
Syndicated Credit Facility(1)	3.9%	3.4%	4.3%	3.2%

(1) The average effective interest rate under the Syndicated Credit Facility is determined primarily based on: (i) the market interest rate of its drawn bankers' acceptances and/or LIBOR loans; and (ii) stamp fee margins. Birchcliff's stamping fees are calculated using a pricing margin grid and will change as a result of the ratio of outstanding indebtedness to the trailing four quarter EBITDA as calculated in accordance with the Corporation's agreement governing the Credit Facilities. EBITDA is defined as earnings before interest and non-cash items, including (if any) income taxes, other compensation, gains and losses on sale of assets and securities, unrealized gains and losses on financial instruments, depletion, depreciation and amortization and impairment charges.

The average outstanding balance under the Credit Facilities was approximately $694.1 million and $709.2 million in the three and nine month Reporting Periods, respectively, as compared to $772.6 million and $687.5 million in the three and nine month Comparable Prior Periods, calculated as the simple average of the month-end amounts.

Other Cash Income and Expense

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

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Other cash income (expense)	(540)	(0.07)	640	0.08	2,114	0.09	4,064	0.19

Birchcliff's other cash income in the nine month Reporting Period primarily included the sale of Emissions Performance Credits ("**EPCs**") for $1.7 million (net of purchases) for the 2019 and 2020 emissions reporting periods under Alberta's Technology Innovation and Emissions Reduction (**TIER**) program, which replaced its predecessor regulation on January 1, 2020. Facilities regulated under TIER, such as the Pouce Coupe Gas Plant, must reduce emissions beyond its established facility benchmarks in order to generate EPCs.

Other Non-Cash Gains 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 September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Other (gains) losses	(2,127)	(0.27)	(1,100)	(0.15)	(5,520)	(0.26)	1,563	0.08

On August 31, 2017, Birchcliff acquired securities consisting of 4,500,000 common A units in a limited partnership and 10,000,000 preferred units in a trust (collectively, the "**Securities**") at a combined investment value of $10 million. The Securities are not publicly listed and do not constitute significant investments. Birchcliff recorded a gain on investment on the Securities of $1.8 million and $5.1 million during the three and nine month Reporting Periods, respectively.

Income Taxes

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

($000s)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Deferred tax expense (recovery) expense	41,141	(5,953)	60,386	(30,102)
Dividend tax expense on preferred shares	688	763	2,075	2,300
Income tax expense (recovery)	**41,829**	**(5,190)**	**62,461**	**(27,802)**
Income tax expense (recovery) per boe	**$5.34**	**($0.73)**	**$2.91**	**($1.36)**

Birchcliff's income taxes are primarily impacted by the before-tax net income or loss position recorded in the respective period. The Corporation's estimated income tax pools were $2.0 billion at September 30, 2021. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

($000s)	Tax pools as at September 30, 2021
Canadian oil and gas property expense	320,454
Canadian development expense	285,729
Canadian exploration expense	156,999
Undepreciated capital costs	269,982
Non-capital losses	968,796
SR&ED[(1)] & Investment tax credits	23,940
Financing costs and other	5,729
Estimated income tax pools	**2,031,629**

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

CAPITAL EXPENDITURES

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

($000s)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Land	434	290	1,361	1,319
Seismic	151	163	602	681
Workovers	1,982	2,609	8,093	9,218
Drilling and completions	9,733	15,201	145,100	145,262
Well equipment and facilities	5,726	12,579	39,597	90,196
F&D capital	18,026	30,842	194,753	246,676
Acquisitions	228	-	228	14
FD&A capital	18,254	30,842	194,981	246,690
Administrative assets	368	351	1,426	1,316
Total capital expenditures	**18,622**	**31,193**	**196,407**	**248,006**

During the three month Reporting Period, Birchcliff had F&D capital expenditures of $18.0 million which included approximately $7.1 million (39%) on the drilling and completion of horizontal wells in Pouce Coupe and $2.6 million (14%) on the drilling and completion of horizontal wells in Gordondale.

During the nine month Reporting Period, Birchcliff had F&D capital expenditures of $194.8 million which included approximately $105.8 million (54%) on the drilling and completion of horizontal wells in Pouce Coupe and $39.3 million (20%) on the drilling and completion of horizontal wells in Gordondale.

During the three month Reporting Period, Birchcliff brought on production a total of 12 (12.0 net) wells. During the nine month Reporting Period, Birchcliff drilled a total of 27 (27.0 net) wells and brought on production a total of 33 (33.0 net) wells.

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

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Capital Resources

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Adjusted funds flow(1)	168,076	59,377	346,084	118,017
Changes in non-cash working capital from operations	(12,305)	(6,220)	(25,416)	(292)
Decommissioning expenditures	(165)	(180)	(1,441)	(976)
Issuance (repurchase) of common shares	(11,557)	-	(8,619)	(610)
Repurchase of capital securities	-	(25)	(1,602)	(25)
Lease payments	(615)	(573)	(1,830)	(1,719)
Financing fees	-	-	(3,454)	-
Dividend distributions	(3,047)	(3,235)	(9,181)	(15,387)
Net change in revolving term credit facilities	(72,832)	18,365	(80,320)	161,703
Investments	(155)	-	(155)	-
Changes in non-cash working capital from investing	(48,732)	(36,343)	(17,656)	(12,742)
Capital resources	**18,668**	**31,166**	**196,410**	**247,969**

(1) See *"Non-GAAP Measures"* in this MD&A.

The capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations. Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities, which the Corporation believes are sufficient to fund its working capital requirements, capital expenditure programs and dividend payments for the foreseeable future.

At September 30, 2021, the maturity date of the Credit Facilities was May 11, 2024 and the borrowing base limit was $850.0 million. The Credit Facilities do not contain any financial maintenance covenants. The aggregate principal amount drawn under the Credit Facilities at September 30, 2021 was $652.3 million, leaving $193.5 million available to fund future obligations. See *"Capital Resources and Liquidity – Bank Debt"* in this MD&A.

Birchcliff continues to proactively look for strategic risk management and market diversification opportunities in order to potentially reduce the overall volatility of its adjusted funds flow. Birchcliff's existing market diversification initiatives have increased its exposure to various natural gas sales trading hubs in North America. See *"Discussion of Operations – Petroleum and Natural Gas Revenue"* and *"Discussion of Operations – Risk Management"* in this MD&A.

Working Capital

The Corporation's adjusted working capital surplus was $10.4 million at September 30, 2021 as compared to an adjusted working capital deficit of $30.6 million at December 31, 2020. Adjusted working capital includes items expected from normal operations, including trade receivables and payables, accruals, deposits and prepaid expenses and excludes the current portion of the fair value of financial instruments and capital securities. The change to a surplus position at September 30, 2021 was primarily due to the strengthening of commodity prices and the positive effects this had on Birchcliff's working capital balances.

At September 30, 2021, the major component of Birchcliff's current assets was revenue to be received from its commodity marketers in respect of September 2021 production (76%), which was subsequently received in October 2021. Birchcliff continues to monitor the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations. Current liabilities at September 30, 2021 primarily consisted of trade payables and accrued capital and operating expenses.

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

Bank Debt

Management remains committed to further debt reduction. Total debt, which includes the adjusted working capital surplus, was $637.9 million at September 30, 2021 as compared to $762.0 million at December 31, 2020, a reduction of $124.1 million or 16%. Total debt decreased primarily due to adjusted funds flow being higher than the aggregate of total capital expenditures in the nine month Reporting Period. In the nine month Reporting Period, Birchcliff generated $346.1 million in adjusted funds flow and incurred $196.4 million in total capital expenditures primarily on the drilling and completion of light oil and condensate-rich natural gas wells in Gordondale and Pouce Coupe. Total debt at September 30, 2021 was also impacted by the exercise of Options and repurchases of common shares under Birchcliff's NCIB. During the nine month Reporting Period, a total of 2,830,039 Options with an average exercise price of $3.09 per common share were exercised for aggregate proceeds to Birchcliff of $8.7 million. In order to offset the dilution from the exercise of Options, the Corporation purchased 3,200,000 common shares under the NCIB at an average price of $5.42 for an aggregate cost of $17.4 million.

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

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**
Maximum borrowing base limit[(1)]*:*		
Revolving term credit facilities	850,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(652,283)	(732,603)
Outstanding letters of credit[(2)]	(4,185)	(4,185)
	(656,468)	(736,788)
Unused credit	**193,532**	**263,212**
% unused credit	**23%**	**26%**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves.

In connection with the most recent semi-annual review of the borrowing base limit under the Credit Facilities, which was completed by the Corporation's syndicate of lenders in May 2021, the borrowing base limit under the Credit Facilities was reduced from $1.0 billion to $850.0 million and the maturity date was extended to May 11, 2024. Birchcliff's Credit Facilities include a provision giving the lenders the right to redetermine the borrowing base in certain circumstances, including if the Corporation's liability management rating ("**LMR**") is less than 2.0. Birchcliff's LMR at September 30, 2021 was 17.52. The Credit Facilities do not contain any financial maintenance covenants.

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

Contractual Obligations and Commitments

The Corporation enters into various contractual obligations and commitments in the normal course of operations. The following table lists Birchcliff's estimated material contractual obligations and commitments at September 30, 2021:

($000s)	**2021**	**2022**	**2023-2025**	**Thereafter**
Accounts payable and accrued liabilities	99,555	-	-	-
Drawn revolving term credit facilities	-	-	652,283	-
Firm transportation and fractionation[(1)]	36,112	138,050	320,191	188,142
Natural gas processing[(2)]	4,751	17,155	51,512	120,179
Operating commitments[(3)]	499	1,996	5,989	4,159
Capital commitments[(4)]	896	3,586	2,689	-
Lease payments	1,032	3,174	8,094	6,061
Capital securities[(5)]	38,328	-	-	-
Estimated contractual obligations[(6)]	**181,173**	**163,961**	**1,040,758**	**318,541**

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

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

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

(4) Includes drilling commitments.

(5) Birchcliff had 1,533,108 Series C Preferred Shares outstanding at September 30, 2021, which are redeemable by their holders at $25.00 per share. For further details, see *"Outstanding Share Information – Capital Securities"* in this MD&A and the interim condensed financial statements of the Corporation and related notes for the Reporting Periods.

(6) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at September 30, 2021 to be approximately $243.1 million and are estimated to be incurred as follows: 2021 - $1.9 million, 2022 – $2.8 million and $238.4 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

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

OUTSTANDING SHARE INFORMATION

At November 10, 2021, Birchcliff had common shares, Series A Preferred Shares and Series C Preferred Shares that were outstanding. Birchcliff's common shares are listed on the TSX under the symbol "BIR". Birchcliff's Series A Preferred Shares and Series C Preferred Shares are individually listed on the TSX under the symbols "BIR.PR.A" and "BIR.PR.C", respectively.

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

(000s)	**Common Shares**
Balance at December 31, 2020	265,942,729
Exercise of Options	2,830,039
Repurchase of common shares[1]	(3,200,000)
Balance at September 30, 2021	265,572,768
Exercise of Options	446,126
Repurchase of common shares[1]	(667,800)
Balance at November 10, 2021	**265,351,094**

(1) Pursuant to the NCIB.

At November 10, 2021, the Corporation had the following securities outstanding: 265,351,094 common shares; 2,000,000 Series A Preferred Shares; 1,533,108 Series C Preferred Shares; 18,474,529 Options to purchase an equivalent number of common shares; and 2,939,732 performance warrants to purchase an equivalent number of common shares.

Normal Course Issuer Bid

On November 18, 2020, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make the NCIB. Pursuant to the NCIB, Birchcliff may purchase up to 13,296,936 of its outstanding common shares over the period from November 25, 2020 to November 24, 2021. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Any common shares purchased under the NCIB are cancelled.

During the nine month Reporting Period, the Corporation purchased 3,200,000 common shares under the NCIB at an average price of $5.42 for an aggregate cost of $17.4 million. Subsequent to September 30, 2021 and prior to November 10, 2021, there were an additional 667,800 common shares purchased under the NCIB at an average price of $6.68 for an aggregate cost of $4.4 million.

Capital Securities

Subject to the provisions of the *Business Corporations Act* (Alberta) and the provisions governing the Series C Preferred Shares (the "**Provisions**"), a holder of Series C Preferred Shares may, at its option, upon giving notice in accordance with the Provisions (the "**Notice of Redemption**"), redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a financial quarter at $25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption.

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

The Corporation received Notices of Redemption for 64,072 Series C Preferred Shares in the nine month Reporting Period. The Corporation elected to settle in cash at $25.00 per share for a total redemption value of $1.6 million.

Dividends

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Common shares:				
Dividend distribution *($000s)*	1,330	1,330	3,993	9,638
Per common share *($)*	0.0050	0.0050	0.0050	0.0121
Series A Preferred Shares:				
Series A dividend distribution *($000s)*	1,046	1,046	3,140	3,140
Per Series A Preferred Share *($)*	0.5234	0.5234	0.5234	0.5234
Series C Preferred Shares:				
Series C dividend distribution *($000s)*	671	859	2,048	2,609
Per Series C Preferred Share *($)*	0.4375	0.4375	0.4375	0.4375

In response to the COVID 19 pandemic and ensuing global oil benchmark price collapse, Birchcliff reduced the amount of its quarterly common share dividend in the second quarter of 2020. 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,	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
Average light oil production *(bbls/d)*	2,878	2,766	3,355	3,566	4,405	5,744	3,954	4,435
Average condensate production *(bbls/d)*	5,990	6,070	5,467	6,658	7,266	4,825	4,524	4,906
Average NGLs production *(bbls/d)*	6,889	7,647	8,734	8,285	6,898	7,455	7,962	7,814
Average natural gas production *(Mcf/d)*	415,005	352,694	345,057	360,839	358,851	341,558	342,831	364,847
Average production *(boe/d)*	84,924	75,265	75,065	78,649	78,376	74,950	73,580	77,962
Average realized light oil sales price *($/bbl)*(1)	83.52	76.50	67.02	49.56	48.50	25.72	53.18	67.58
Average realized condensate sales price *($/bbl)*(1)	88.04	81.90	74.22	52.90	48.27	31.09	58.48	68.80
Average realized NGLs sales price *($/bbl)*(1)	35.13	25.27	24.69	16.16	14.05	12.05	12.02	16.62
Average realized natural gas sales price *($/Mcf)*(1)	4.46	3.48	3.52	2.93	2.48	2.22	2.29	2.81
Average realized sales price *($/boe)* (1)	33.70	28.27	27.47	21.87	19.80	15.27	18.41	22.97
P&NG revenue *($000s)*(1)	263,348	193,643	185,609	158,283	142,779	104,180	123,263	164,759
Operating expense *($/boe)*	2.96	3.14	3.18	3.03	2.73	2.89	3.14	3.06
F&D capital expenditures *($000s)*	18,026	80,887	95,840	41,291	30,842	83,473	132,361	56,800
Total capital expenditures *($000s)*	18,622	81,160	96,625	28,778	31,193	83,974	132,840	58,136
Cash flow from operating activities *($000s)*	155,606	81,013	82,608	71,431	52,977	13,221	50,551	85,557
Adjusted funds flow *($000s)*(2)	168,076	90,188	87,820	66,509	59,377	21,746	36,894	80,941
Per common share – basic *($)*(2)	0.63	0.34	0.33	0.25	0.22	0.08	0.14	0.30
Per common share – diluted *($)*(2)	0.61	0.33	0.33	0.25	0.22	0.08	0.14	0.30
Free funds flow *($000s)*(2)	150,050	9,301	(8,020)	25,218	28,535	(61,727)	(95,467)	24,141
Net income (loss) *($000s)*	139,413	44,901	23,213	41,454	(16,646)	(38,475)	(44,154)	(17,937)
Net income (loss) to common shareholders *($000s)*	138,367	43,854	22,166	40,407	(17,692)	(39,522)	(45,201)	(18,984)
Per common share – basic *($)*	0.52	0.16	0.08	0.15	(0.07)	(0.15)	(0.17)	(0.07)
Per common share – diluted *($)*	0.50	0.16	0.08	0.15	(0.07)	(0.15)	(0.17)	(0.07)
Total assets *($ million)*	2,993	2,996	2,941	2,902	2,912	2,929	2,871	2,817
Long-term bank debt *($000s)*	648,327	720,920	701,735	731,372	771,706	753,092	619,055	609,177
Total debt *($000s)*(2)	637,905	770,897	777,385	761,951	784,414	807,573	739,631	632,582
Dividends on common shares *($000s)*	1,330	1,333	1,330	1,330	1,330	1,327	6,981	6,981
Dividends on Series A Preferred Shares *($000s)*	1,046	1,047	1,047	1,047	1,046	1,047	1,047	1,047
Dividends on Series C Preferred Shares *($000s)*	671	678	699	858	859	875	875	875
Series A Preferred Shares outstanding *(000s)*	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Series C Preferred Shares outstanding *(000s)*	1,533	1,533	1,550	1,597	1,962	1,963	2,000	2,000
Common shares outstanding *(000s)*								
Basic	265,573	266,953	266,045	265,943	265,935	265,935	265,935	265,935
Diluted	287,518	289,806	292,757	295,017	290,009	290,014	290,037	292,358
Weighted average common shares outstanding *(000s)*								
Basic	266,547	266,231	265,989	265,940	265,935	265,935	265,935	265,935
Diluted	276,282	270,155	266,370	265,985	265,935	265,935	265,935	265,935

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

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

Quarterly average daily production volumes were impacted primarily by Birchcliff's successful drilling of horizontal wells brought on production in Pouce Coupe and Gordondale and the timing thereof and natural production declines during those periods. Light oil production has decreased in the last four quarters primarily due to the Corporation specifically targeting natural gas wells in the Pouce Coupe and Gordondale areas since the Comparable Prior Periods.

P&NG revenue and adjusted funds flow in the last eight quarters were largely impacted by quarterly production and the average realized sales price received for Birchcliff's production. Birchcliff's average realized sales prices increased significantly in the three quarters of 2021 as compared to the quarters in 2020 due to the recovery in the global economy from the impacts of the COVID-19 pandemic and strengthening benchmark oil and natural gas prices. Over the last eight quarters, Birchcliff's adjusted funds flow was also impacted by realized gains and losses on the settlement of financial instruments due to added market diversification initiatives and higher trending transportation and other expense primarily as a result of additional AECO and Dawn firm service and increased liquids production.

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

The Corporation's capital expenditures fluctuate quarter to quarter based on: (i) the Corporation's outlook for commodity prices and market conditions; (ii) the level of drilling and completions operations and other capital projects and the timing thereof; and (iii) the level of acquisition and disposition activities and the timing thereof.

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

Quarterly fluctuations in long-term bank debt and total debt are primarily driven by changes in adjusted funds flow and the amount and timing of capital expenditures.

The Corporation pays dividends on its common shares, Series A Preferred Shares and Series C Preferred Shares when declared and approved by the Board of Directors. On June 2, 2020, the Corporation reduced the amount of its quarterly common share dividend from $0.02625 per share to $0.005 per share with the first reduced payment taking effect for the quarter ended June 30, 2020. As a result of this reduction, the dividends paid on the common shares over the six most recently completed quarters were significantly lower than the preceding two quarters.

Since March 31, 2020, Birchcliff has received Notices of Redemptions for a total of 466,892 Series C Preferred Shares. As a result of the redemptions, the dividends paid on the Series C Preferred Shares over the six most recently completed quarters were lower compared to the preceding two quarters.

POTENTIAL TRANSACTIONS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting ("**ICFR**") that occurred during the period beginning on July 1, 2021 and ended on September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. Birchcliff's ICFR was not impacted by the COVID-19 pandemic during the Reporting Period.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies, reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of estimates, judgments and assumptions in preparing the unaudited interim condensed financial statements for the Reporting Periods and the Comparable Prior Periods is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2020.

Management cannot reasonably estimate the length or severity of the COVID-19 pandemic, or the extent to which the disruption will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at September 30, 2021 and have been reflected in the Corporation's results.

RISK FACTORS

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. A detailed discussion of the risk factors affecting the Corporation is presented under the heading *"Risk Factors"* in the AIF and management's discussion and analysis for the year ended December 31, 2020.

The COVID-19 pandemic remains an evolving situation that has had, and may continue to have, a significant impact on future demand for the commodities Birchcliff produces and on the Corporation's cash flow, access to capital, results of operations, financial condition and the environment in which it operates, as well as on the Corporation's suppliers and employees. If the COVID-19 pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment and societal and business norms will be impacted following COVID-19. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on the Corporation.

The COVID-19 pandemic has also created additional health and safety issues and risks for the Corporation, including the need to provide enhanced safety measures for employees, increased employee absences, risks associated with remote work-from-home arrangements and the need to comply with rapidly changing regulatory guidance and governmental restrictions.

The extent to which the COVID-19 pandemic will continue to impact the Corporation's business, results of operations, financial condition and liquidity will depend on future developments in Canada and globally, including the development and widespread availability of efficient and accurate testing and effective treatment options or vaccines. Management cannot reasonably estimate the length or severity of the COVID-19 pandemic, or the extent to which the disruption will impact the Corporation's business, results of operations, financial condition and liquidity.

ABBREVIATIONS

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

NON-GAAP MEASURES

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

"Adjusted funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and "adjusted funds flow per common share" denotes adjusted funds flow divided by the basic or diluted weighted average number of common shares outstanding for the period. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period to period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow and adjusted funds flow per common share assist management and investors in assessing Birchcliff's operating performance, as well as its ability to generate cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations and pay common share and preferred share dividends. Investors are cautioned that adjusted funds flow should not be construed as an alternative to or more meaningful than cash flow from operating activities or net income or loss as determined in accordance with GAAP as an indicator of Birchcliff's performance.

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

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Cash flow from operating activities	155,606	52,977	319,227	116,749
Change in non-cash operating working capital	12,305	6,220	25,416	292
Decommissioning expenditures	165	180	1,441	976
Adjusted funds flow	**168,076**	**59,377**	**346,084**	**118,017**
F&D capital expenditures	(18,026)	(30,842)	(194,753)	(246,676)
Free funds flow	**150,050**	**28,535**	**151,331**	**(128,659)**

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

"Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense, less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. Netbacks are calculated on a per unit basis, unless otherwise indicated. Management believes that operating netback and adjusted funds flow netback assist management and investors in assessing Birchcliff's operating results by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis. The following table provides a breakdown of Birchcliff's operating netback and adjusted funds flow netback for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
	2021		**2020**		**2021**		**2020**	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*	*($000s)*	*($/boe)*
Petroleum and natural gas revenue	263,348	33.71	142,779	19.80	642,600	30.00	370,222	17.86
Royalty expense	(19,500)	(2.50)	(3,935)	(0.55)	(47,819)	(2.23)	(11,682)	(0.56)
Operating expense	(23,164)	(2.96)	(19,668)	(2.73)	(66,200)	(3.09)	(60,415)	(2.91)
Transportation and other expense	(36,939)	(4.73)	(32,459)	(4.49)	(111,877)	(5.22)	(102,324)	(4.94)
Operating netback	**183,745**	**23.52**	**86,717**	**12.03**	**416,704**	**19.46**	**195,801**	**9.45**
G&A expense, net	(5,506)	(0.70)	(4,804)	(0.67)	(17,762)	(0.83)	(16,587)	(0.80)
Interest expense	(7,154)	(0.92)	(6,736)	(0.93)	(23,613)	(1.10)	(17,415)	(0.84)
Realized loss on financial instruments	(2,469)	(0.32)	(16,440)	(2.28)	(31,359)	(1.46)	(47,846)	(2.31)
Other cash income (expense)	(540)	(0.07)	640	0.08	2,114	0.09	4,064	0.19
Adjusted funds flow netback	**168,076**	**21.51**	**59,377**	**8.23**	**346,084**	**16.16**	**118,017**	**5.69**

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

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

"Adjusted working capital deficit (surplus)" is calculated as current assets minus current liabilities excluding the effects of any current portion of financial instruments and capital securities. Management believes that adjusted working capital deficit (surplus) assists management and investors in assessing Birchcliff's short-term liquidity requirements. The following table reconciles working capital deficit (current assets minus current liabilities), as determined in accordance with GAAP, to adjusted working capital deficit (surplus):

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Working capital deficit	16,058	93,988	92,843
Financial instrument – current asset	17,565	-	-
Financial instrument – current liability	(5,717)	(23,479)	(31,089)
Capital securities – current liability	(38,328)	(39,930)	(49,046)
Adjusted working capital deficit (surplus)	**(10,422)**	**30,579**	**12,708**

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

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Revolving term credit facilities	648,327	731,372	771,706
Adjusted working capital deficit (surplus)	(10,422)	30,579	12,708
Total debt	**637,905**	**761,951**	**784,414**

ADVISORIES

Unaudited Information

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

Currency

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

MMBtu Pricing Conversions

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

Boe and Mcfe Conversions

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

Oil and Gas Metrics

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

Capital Expenditures

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

Forward-Looking Statements

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

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

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

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including: that reduced total debt will result in corresponding decreases in interest expense; and that Birchcliff is committed to maintaining its low-cost operating structure by executing on various field optimization and cost-saving initiatives in Pouce Coupe and Gordondale;
- Birchcliff's outlook for commodity prices, including that strong commodity prices are forecast for 2022;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's 2021 and 2022 outlook and guidance, including: that Birchcliff expects to generate adjusted funds flow of approximately $650 million and free funds flow of approximately $400 million in 2022; that the Corporation will continue to prioritize free funds flow generation and further debt reduction in order to significantly reduce the risks relating to lower commodity prices and unforeseen market events such as the industry experienced in 2020; that the strength of Birchcliff's balance sheet also provides it with the optionality to increase shareholder returns, including increased dividends and common share repurchases under its NCIB; that Birchcliff does not currently intend to enter into any fixed price commodity hedges, which gives it the ability to take advantage of the strong commodity prices forecast for 2022; that Birchcliff is currently targeting F&D capital spending of $240 million to $260 million in 2022, which takes into account expected increases in materials, labour and services costs as compared to the current year; that Birchcliff remains committed to maintaining a flat annual average production profile in 2022; that Birchcliff expects its 2022 annual average production to be 78,000 to 80,000 boe/d, which takes into account significant planned turnarounds at the Pouce Coupe Gas Plant and AltaGas's deep-cut sour gas processing facility in Gordondale; that the 2022 capital program will be designed to utilize two drilling rigs in order to bring new wells onto production throughout the year, which will allow for a more consistent production profile and be more operationally efficient for the Corporation; that Birchcliff anticipates comparable annual average production rates year-over-year, with strong production in Q4 2022; that Birchcliff expects to announce details of its 2022 capital program and guidance on January 19, 2022; and estimates of annual and second half average production, annual commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds

flow, total debt and natural gas market exposure in 2021 and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's 2021 estimate of adjusted funds flow;

- Birchcliff's risk management activities and any anticipated benefits to be derived therefrom;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; that Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities, which the Corporation believes are sufficient to fund its working capital requirements, capital expenditure programs and dividend payments for the foreseeable future; that Birchcliff continues to proactively look for strategic risk management and market diversification opportunities in order to potentially reduce the overall volatility of its adjusted funds flow; the Corporation's expectation that counterparties will be able to meet their financial obligations; the management of Birchcliff's working capital deficit; and that management remains committed to further debt reduction;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations; 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 and the responses of governments and the public to the pandemic; prevailing and future commodity prices and differentials, exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; the success of new wells drilled; reserves volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the results of Birchcliff's risk management and market diversification activities; and Birchcliff's natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this MD&A:

- Birchcliff's 2021 guidance (as revised November 10, 2021) assumes the following commodity prices and exchange rate: an average WTI price of US$69.00/bbl; an average WTI-MSW differential of CDN$5.50/bbl; an average AECO 5A price of CDN$3.55/GJ; an average Dawn price of US$3.80/MMBtu; an average NYMEX HH price of US$3.85/MMBtu; and an exchange rate (CDN$ to US$1) of 1.25.
- Birchcliff's preliminary 2022 outlook assumes the following commodity prices and exchange rate: an average WTI price of US$75.00/bbl; an average WTI-MSW differential of CDN$5.00/bbl; an average AECO 5A price of

CDN$4.15/GJ; an average Dawn price of US$4.25/MMBtu; an average NYMEX HH price of US$4.30/MMBtu; and an exchange rate (CDN$ to US$1) of 1.25.

- With respect to estimates of 2021 and 2022 capital expenditures and Birchcliff's spending plans for 2021 and 2022, such estimates and plans assume that Birchcliff's capital programs will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's adjusted funds flow and free funds flow guidance for 2021 and 2022, such guidance assumes that: Birchcliff's capital programs will be carried out as currently contemplated and the level of capital spending for 2021 and 2022 set forth herein will be achieved; and the Corporation's targets for production, production commodity mix, costs and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met.
- With respect to Birchcliff's production guidance for 2021 and 2022, such guidance assumes that: Birchcliff's capital programs will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in 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 effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's Board of Directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

Birchcliff's five year plan for 2021 to 2025 (the "**Five Year Plan**") assumes an average WTI price of US$50.00/bbl, an average WTI-MSW differential of CDN$6.00/bbl, an average AECO 5A price of CDN$2.50/GJ, an average Dawn price of US$2.75/MMBtu, an average NYMEX HH price of US$2.80/MMBtu and an exchange rate (CDN$ to US$1) of 1.27. As disclosed herein, Birchcliff has revised its guidance and commodity price and exchange rate assumptions for 2021 and provided a preliminary outlook for 2022, which would have a corresponding impact on the Five Year Plan and which would affect some or all of the longer-term targets disclosed for 2022 to 2025. The internal projections, expectations and beliefs underlying the Five Year Plan are subject to change in light of ongoing results and prevailing economic and industry conditions. For further information regarding the assumptions on which the Five Year Plan is based, please see Birchcliff's January 20, 2021 press release.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that Birchcliff may experience. While the duration and full impact of the COVID-19 pandemic is not yet known, the effect of low commodity prices as a result of reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on the Corporation's business, results of operations, financial condition and the environment in which it operates. The Corporation's current expectations, estimates, projections, beliefs and assumptions underlying the Corporation's forward-looking statements are subject to change in light of the COVID-19 pandemic, including potential future waves and actions taken by governments and businesses in response thereto.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in the AIF under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

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

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

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at,	**September 30, 2021**	**December 31, 2020**
ASSETS		
Current assets:		
Cash	63	60
Accounts receivable	100,433	64,691
Prepaid expenses and deposits	9,481	2,177
Financial Instruments *(Note 12)*	17,565	-
	127,542	66,928
Non-current assets:		
Investments *(Note 13)*	7,060	1,805
Petroleum and natural gas properties and equipment *(Note 3)*	2,858,325	2,833,310
	2,865,385	2,835,115
Total assets	**2,992,927**	**2,902,043**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	99,555	97,507
Financial instruments *(Note 12)*	5,717	23,479
Capital securities *(Note 6)*	38,328	39,930
	143,600	160,916
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	648,327	731,372
Decommissioning obligations *(Note 5)*	131,250	146,232
Deferred income taxes	125,577	65,192
Other liabilities *(Note 9)*	25,593	26,207
Financial instruments *(Note 12)*	95,672	144,557
	1,026,419	1,113,560
Total liabilities	**1,170,019**	**1,274,476**
SHAREHOLDERS' EQUITY		
Share capital *(Note 6)*		
Common shares	1,472,409	1,478,294
Preferred shares *(perpetual)*	41,434	41,434
Contributed surplus	90,700	89,868
Retained earnings	218,365	17,971
	1,822,908	1,627,567
Total shareholders' equity and liabilities	**2,992,927**	**2,902,043**

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
REVENUE				
Petroleum and natural gas revenue *(Note 8)*	263,348	142,779	642,600	370,222
Marketing revenue *(Note 8)*	9,861	4,422	14,553	11,798
Royalties	(19,500)	(3,935)	(47,819)	(11,682)
Realized loss on financial instruments *(Note 12)*	(2,469)	(16,440)	(31,359)	(47,846)
Unrealized gain (loss) on financial instruments *(Note 12)*	70,493	(25,632)	84,213	(77,683)
Other cash income (expense)	(540)	640	2,114	4,064
	321,193	101,834	664,302	248,873
EXPENSES				
Operating	23,164	19,668	66,200	60,415
Transportation	37,960	33,349	113,809	104,147
Marketing purchases *(Note 8)*	8,840	3,532	12,621	9,975
Administrative, net	6,058	5,376	19,439	18,454
Depletion and depreciation *(Note 3)*	57,085	54,374	158,841	158,205
Finance	8,300	7,612	26,876	20,582
Dividends on capital securities *(Note 6)*	671	859	2,048	2,609
Other losses (gains)	(2,127)	(1,100)	(5,520)	1,563
	139,951	123,670	394,314	375,950
Net income (loss) before taxes	181,242	(21,836)	269,988	(127,077)
Income tax recovery (expense)	(41,829)	5,190	(62,461)	27,802
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**139,413**	**(16,646)**	**207,527**	**(99,275)**
Net income (loss) per common share *(Note 7)*				
Basic	$0.52	$(0.07)	$0.77	$(0.39)
Diluted	$0.50	$(0.07)	$0.75	$(0.39)

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

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

Unaudited (Expressed in thousands of Canadian dollars)

	Share Capital				
	Common Shares	**Preferred Shares**	**Contributed Surplus**	**Retained Earnings**	**Total**
As at December 31, 2019	1,478,356	41,434	84,884	90,947	1,695,621
Dividends on common shares *(Note 6)*	-	-	-	(9,638)	(9,638)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(3,140)	(3,140)
Conversion of Series C preferred shares	530	-	-	-	530
Repurchase of common shares	(610)	-	-	-	(610)
Stock-based compensation *(Notes 10)*	-	-	3,821	-	3,821
Net loss and comprehensive loss	-	-	-	(99,275)	(99,275)
As at September 30, 2020	**1,478,276**	**41,434**	**88,705**	**(21,106)**	**1,587,309**
As at December 31, 2020	1,478,294	41,434	89,868	17,971	1,627,567
Dividends on common shares *(Note 6)*	-	-	-	(3,993)	(3,993)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(3,140)	(3,140)
Exercise of stock options *(Note 10)*	11,482	-	(2,734)	-	8,748
Repurchase of common shares	(17,367)	-	-	-	(17,367)
Stock-based compensation *(Note 10)*	-	-	3,566	-	3,566
Net income and comprehensive income	-	-	-	207,527	207,527
As at September 30, 2021	**1,472,409**	**41,434**	**90,700**	**218,365**	**1,822,908**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Cash provided by (used in):				
OPERATING				
Net income (loss)	139,413	(16,646)	207,527	(99,275)
Adjustments for items not affecting operating cash:				
Unrealized loss (gain) on financial instruments *(Note 12)*	(70,493)	25,632	(84,213)	77,683
Depletion and depreciation *(Note 3)*	57,085	54,374	158,841	158,205
Other compensation	552	572	1,677	1,867
Finance	8,300	7,612	26,876	20,582
Other (gains) losses	(2,127)	(1,100)	(5,520)	1,563
Income tax (recovery) expense	41,829	(5,190)	62,461	(27,802)
Interest paid	(7,154)	(6,736)	(23,613)	(17,415)
Dividends on capital securities *(Note 6)*	671	859	2,048	2,609
Decommissioning expenditures *(Note 5)*	(165)	(180)	(1,441)	(976)
Changes in non-cash working capital	(12,305)	(6,220)	(25,416)	(292)
	155,606	52,977	319,227	116,749
FINANCING				
Issuance (repurchase) of common shares *(Note 6)*	(11,557)	-	(8,619)	(610)
Repurchase of capital securities *(Note 6)*	-	(25)	(1,602)	(25)
Financing fees paid	-	-	(3,454)	-
Lease payments *(Note 9)*	(615)	(573)	(1,830)	(1,719)
Dividend distributions *(Note 6)*	(3,047)	(3,235)	(9,181)	(15,387)
Net change in revolving term credit facilities *(Note 4)*	(72,832)	18,365	(80,320)	161,703
	(88,051)	14,532	(105,006)	143,962
INVESTING				
Exploration and development of petroleum and natural gas assets *(Note 3)*	(18,394)	(31,193)	(196,179)	(248,006)
Investments	(155)	-	(155)	-
Acquisitions *(Note 3)*	(228)	-	(228)	-
Changes in non-cash working capital	(48,732)	(36,343)	(17,656)	(12,742)
	(67,509)	(67,536)	(214,218)	(260,748)
Net change in cash	46	(27)	3	(37)
Cash, beginning of period	17	60	60	70
CASH, END OF PERIOD	**63**	**33**	**63**	**33**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

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

1. NATURE OF OPERATIONS

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

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors on November 10, 2021.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three and nine months ended September 30, 2021, including the 2020 comparative periods. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2020. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2020.

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

Current Environment and Estimation Uncertainty

Management makes judgements and assumptions about the future in deriving estimates used in preparation of these unaudited interim condensed financial statements in accordance with IFRS. Sources of estimation uncertainty include estimates used to determine economically recoverable oil, natural gas, and natural gas liquids reserves, the recoverable amount of long-lived assets or cash generating units, the fair value of financial derivatives, the provision for asset retirement obligations and the provision for income taxes and the related deferred tax assets and liabilities.

During 2021, the global economy has shown signs of strong recovery from the impacts of the COVID-19 pandemic. The outlook for oil and natural gas commodity prices and general market and industry conditions have improved due to the easing of government restrictions and increase in COVID-19 vaccination rates. While Birchcliff has benefited from these recent improvements in commodity prices there is a degree of uncertainty related to the COVID-19 pandemic that has been considered in our estimates for the period ended September 30, 2021.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2019	321	3,850,089	19,931	20,217	3,890,558
Additions	33	315,200	-	1,713	316,946
Dispositions(1)	-	(17,563)	-	-	(17,563)
As at December 31, 2020	354	4,147,726	19,931	21,930	4,189,941
Additions	-	181,474	147	1,425	183,046
Acquisitions	-	810	-	-	810
As at September 30, 2021(2)	354	4,330,010	20,078	23,355	4,373,797
Accumulated depletion and depreciation:					
As at December 31, 2019	-	(1,130,238)	(1,925)	(15,317)	(1,147,480)
Dispositions(1)	-	3,253	-	-	3,253
Depletion and depreciation expense(3)	-	(208,137)	(2,021)	(2,246)	(212,404)
As at December 31, 2020	-	(1,335,122)	(3,946)	(17,563)	(1,356,631)
Depletion and depreciation expense(3)	-	(155,874)	(1,526)	(1,441)	(158,841)
As at September 30, 2021	-	(1,490,996)	(5,472)	(19,004)	(1,515,472)
Net book value:					
As at December 31, 2020	**354**	**2,812,604**	**15,985**	**4,367**	**2,833,310**
As at September 30, 2021	**354**	**2,839,014**	**14,606**	**4,351**	**2,858,325**

(1) Birchcliff completed the disposition of various Gordondale lands and assets on December 22, 2020, with a net book value totaling $14.3 million, relinquished $5.9 million related to decommissioning obligations (see Note 5) and received cash consideration of $12.7 million. Birchcliff recognized a gain on sale of $4.2 million for the year ended December 31, 2020.

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

(3) Future development costs required to develop and produce proved and probable oil and gas reserves totalled $4.3 billion at September 30, 2021 (December 31, 2020 – $4.4 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies an indicator of impairment at the end of the reporting period. At September 30, 2021 and December 31, 2020, Birchcliff determined there were no impairment indicators present and therefore an impairment test was not required. Current and forward commodity prices for oil and natural gas have improved and market capitalization have increased since March 31, 2020, when impairment indicators were last identified.

4. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's credit facilities include:

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**
Syndicated credit facility	649,694	727,645
Working capital facility	2,589	4,958
Drawn revolving term credit facilities	652,283	732,603
Unamortized deferred financing fees	(3,956)	(1,231)
Revolving term credit facilities	**648,327**	**731,372**

At September 30, 2021, the aggregate principal amount of the Corporation's credit facilities was $850.0 million with maturity dates of May 11, 2024 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million (collectively, the "**Credit Facilities**.")

Effective May 6, 2021, the agreement governing the Credit Facilities was amended to: (i) extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2022 to May 11, 2024; and (ii) reduce the borrowing base limit to $850.0 million from $1.0 billion, with the Syndicated Credit Facility being reduced to $750.0 million and the Working Capital Facility remaining at $100.0 million. With the exception of the changes to the borrowing base limit and maturity date, the Credit Facilities were renewed under similar terms and conditions as those described in Note 7 of the Corporation's financial statements for the year ended December 31, 2020. The maturity date of the Credit Facilities may, at the request of the Corporation and with consent of the lenders, be extended on an annual basis, for an additional period of up to three years from May 11 of the year in which the extension request is made. The Credit Facilities do not contain any financial maintenance covenants.

The amended agreement governing the Credit Facilities allow for prime rate loans, LIBOR loans, U.S. base rate loans, bankers' acceptances and, in the case of the Working Capital Facility only, letters of credit, plus applicable margins. Effective December 31, 2021, U.S. dollar LIBOR benchmarks will begin phasing out. The Corporation expects the U.S. LIBOR benchmarks to be replaced with an alternative benchmark that will apply to Birchcliff's U.S. dollar borrowings to be used at its option. Birchcliff does not expect this change to have a material impact to the Corporation.

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $243.1 million at September 30, 2021 (December 31, 2020 – $221.3 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**
Balance, beginning	146,232	128,128
Obligations incurred	3,392	3,624
Obligations acquired	582	258
Obligations divested(1)	(198)	(5,867)
Changes in estimated future cash flows(2)	(18,974)	20,512
Accretion	1,879	1,900
Decommissioning expenditures	(1,663)	(2,323)
Balance, ending(3)	**131,250**	**146,232**

(1) Includes decommissioning obligations from the disposition of various Gordondale lands and assets in December 2020.

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

(3) Birchcliff applied a nominal risk-free rate of 2.03% and an inflation rate of 1.78% to calculate the present value of the decommissioning obligation at September 30, 2021 and a nominal risk-free rate of 1.26% and an inflation rate of 1.54% at December 31, 2020.

6. CAPITAL STOCK

Share Capital

(a) Authorized:

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

Unlimited number of preferred shares, with no par value.

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

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

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

As at, *(000s)*	**September 30, 2021**	**December 31, 2020**
Common shares:		
Outstanding at beginning of period	265,943	265,935
Conversion of Series C Preferred Shares(1)	-	465
Repurchase of common shares(2)	(3,200)	(465)
Exercise of stock options	2,830	8
Outstanding at end of period(1)	**265,573**	**265,943**
Series A Preferred Shares (perpetual):		
Outstanding at beginning of period	2,000	2,000
Outstanding at end of period	**2,000**	**2,000**

(1) See *"Capital Securities"* below.

(2) On November 18, 2020, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**2021 NCIB**"). Pursuant to the 2021 NCIB, Birchcliff may purchase up to 13,296,936 of its outstanding common shares over the period from November 25, 2020 to November 24, 2021. Under the 2021 NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Pursuant to the rules of the TSX, the total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 286,843 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the 2021 NCIB will be cancelled. The 2021 NCIB effectively renewed the Corporation's previous normal course issuer bid under which the Corporation was permitted to purchase up to 13,296,761 common shares over the period from November 25, 2019 to November 24, 2020 (the "**2020 NCIB**"). During 2020, Birchcliff purchased 464,562 common shares under the 2020 NCIB at an average price of $1.31 for an aggregate value of approximately $610,000, before fees. All such common shares were cancelled. During the nine month period ended September 30, 2021, the Corporation purchased 3,200,000 common shares under the 2021 NCIB at an average price of $5.42 for an aggregate value of $17.4 million. All such common shares were cancelled.

Capital Securities

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

As at, *(000s)*	**September 30, 2021**		**December 31, 2020**	
	Number	**Amount** *($)*	**Number**	**Amount** *($)*
Outstanding at beginning of period	1,597	39,930	2,000	49,845
Conversion of Series C Preferred Shares(1)(2)	-	-	(37)	(929)
Cash redemption of Series C Preferred Shares(1)	(64)	(1,602)	(366)	(9,141)
Amortization	-	-	-	155
Outstanding at end of period(3)	**1,533**	**38,328**	**1,597**	**39,930**

(1) Subject to the provisions of the *Business Corporations Act* (Alberta) and the provisions governing the Series C Preferred Shares (the "**Provisions**"), a holder of Series C Preferred Shares may, at its option, upon giving notice in accordance with the Provisions (the "**Notice of Redemption**"), redeem for cash, all or any number of Series C Preferred Shares held by such holder on the last day of a financial quarter at $25.00 per share, together with all accrued and unpaid dividends to but excluding the date fixed for redemption.

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

(2) For the period ended December 31, 2020, the Corporation elected to convert 37,165 Series C Preferred Shares into common shares and accordingly issued a total of 464,562 common shares. This increased share capital by approximately $530,000 using an implied value of $1.14 per common share based on the closing price of the common shares on the TSX at the date of conversion.

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

Dividends

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Common shares:				
Dividend distribution *($000s)*	1,330	1,330	3,993	9,638
Per common share *($)*	0.0050	0.0050	0.0050	0.0121
Series A Preferred Shares:				
Series A dividend distribution *($000s)*	1,046	1,046	3,140	3,140
Per Series A Preferred Share *($)*	0.5234	0.5234	0.5234	0.5234
Series C Preferred Shares:				
Series C dividend distribution *($000s)*	671	859	2,048	2,609
Per Series C Preferred Share *($)*	0.4375	0.4375	0.4375	0.4375

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

7. EARNINGS (LOSS) PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
($000s, except for per share information)	**2021**	**2020**	**2021**	**2020**
Net income (loss)	139,413	(16,646)	207,527	(99,275)
Dividends on Series A Preferred Shares	(1,046)	(1,046)	(3,140)	(3,140)
Net income (loss) to common shareholders	138,367	(17,692)	204,387	(102,415)
Weighted average common shares (000s):				
Weighted average basic common shares outstanding	266,547	265,935	266,258	265,935
Dilutive securities	9,735	-	5,278	-
Weighted average diluted common shares outstanding(1)	276,282	265,935	271,536	265,935
Net income (loss) per common share:				
Basic	**$0.52**	**$(0.07)**	**$0.77**	**$(0.39)**
Diluted	**$0.50**	**$(0.07)**	**$0.75**	**$(0.39)**

(1) The weighted average diluted common shares outstanding excludes 2,188,000 and 2,637,334 common shares that were anti-dilutive for the three and nine months ended September 30, 2021. As the Corporation reported a loss for the three months and nine months ended September 30, 2020, the basic and diluted weighted average common shares outstanding are the same for the periods and all dilutive securities were considered anti-dilutive.

8. REVENUE

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	**2020**	**2021**	**2020**
Light oil sales	22,112	19,655	61,605	52,238
Condensate[(1)]	48,517	32,263	130,274	69,992
NGLs sales[(2)]	22,267	8,917	59,256	25,802
Natural gas sales	170,441	81,940	391,438	222,180
P&NG sales[(3)(4)]	263,337	142,775	642,573	370,212
Royalty income	11	4	27	10
P&NG revenue	263,348	142,779	642,600	370,222
Marketing revenue[(5)]	9,861	4,422	14,553	11,798
Revenue from contracts with customers	**273,209**	**147,201**	**657,153**	**382,020**

(1) Includes pentanes plus.

(2) Includes ethane, propane and butane.

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

(4) Included in accounts receivable at September 30, 2021 was $96.7 million (September 30, 2020 - $51.2 million) in P&NG sales to be received from its marketers in respect of September 2021 production, which was subsequently received in October 2021.

(5) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. For the three months and nine months ended September 30, 2021, the Corporation had marketing purchases from third parties of $8.8 million and $12.6 million, respectively (September 30, 2020 - $3.5 million and $10.0 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligation

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan is approximately $14.8 million at September 30, 2021 (December 31, 2020 – $14.8 million).

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

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**
Balance, beginning	9,177	8,494
Obligations incurred[(1)]	414	539
Accretion	121	144
Balance, ending[(2)]	**9,712**	**9,177**
Current portion	-	-
Long-term portion	9,712	9,177

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

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligation at September 30, 2021 and December 31, 2020.

Lease Obligation

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $18.4 million at September 30, 2021 (December 31, 2020 – $20.0 million). A reconciliation of the discounted lease obligation is set forth below:

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**
Balance, beginning	17,030	18,552
Lease payments	(1,830)	(2,292)
Change in estimate	147	-
Accretion	534	770
Balance, ending[(1)]	**15,881**	**17,030**
Current portion	1,819	1,596
Long-term portion	14,062	15,434

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligation at September 30, 2021 and December 31, 2020.

10. SHARE-BASED PAYMENT

Stock Option

At September 30, 2021, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,557,277 (September 30, 2020 – 26,593,523) common shares. At September 30, 2021, there remained available for issuance options in respect of 7,551,621 (September 30, 2020 – 5,459,022) common shares. For the three months ended September 30, 2021, the weighted average common share trading price on the TSX was $5.72 (September 30, 2020 – $1.47) per common share.

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

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	Number	Price (\$)[1]	Number	Price (\$)[1]	Number	Price (\$)[1]	Number	Price (\$)[1]
Outstanding, beginning	20,820,485	3.19	21,139,001	4.00	26,134,201	3.56	23,483,368	4.28
Granted[2]	157,500	5.11	53,000	1.16	253,000	4.38	177,500	1.20
Exercised	(1,819,426)	(3.19)	-	-	(2,830,039)	(3.09)	-	-
Forfeited	(16,402)	(2.24)	(8,500)	(1.18)	(2,063,439)	(7.57)	(66,067)	(2.93)
Expired	(136,501)	(8.70)	(49,000)	(6.47)	(2,488,067)	(3.81)	(2,460,300)	(6.59)
Outstanding, ending	**19,005,656**	**3.17**	**21,134,501**	**3.99**	**19,005,656**	**3.17**	**21,134,501**	**3.99**

(1) Calculated on a weighted average basis.

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

The weighted average fair value per option granted during the three months ended September 30, 2021 was $2.36 (September 30, 2020 – $0.48). In determining the stock-based compensation expense for options issued during the three months ended September 30, 2021, the Corporation applied a weighted average estimated forfeiture rate of 8.1% (September 30, 2020 – 9.0%).

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

Three months ended,	September 30, 2021	September 30, 2020
Risk-free interest rate	0.7%	0.3%
Expected life *(years)*	4.1	4.1
Expected volatility	61.4%	61.2%
Dividend yield	0.4%	1.7%

A summary of the stock options outstanding and exercisable under the Option Plan at September 30, 2021 is set forth below:

Grant Price *(\$)*		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(\$)*	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(\$)*
0.78	3.00	9,969,221	3.56	2.04	1,550,972	2.92	2.25
3.01	6.00	7,028,435	1.98	3.47	5,300,394	1.79	3.41
6.01	9.43	2,008,000	0.46	7.71	1,980,500	0.40	7.73
		19,005,656	**2.65**	**3.17**	**8,831,866**	**1.68**	**4.18**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. There are 2,939,732 performance warrants outstanding to purchase an equivalent number of common shares and exercisable at September 30, 2021 (December 31, 2020 – 2,939,732) with an expiry date of January 31, 2025. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff.

11. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available debt capacity and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the three and nine months ended September 30, 2021.

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

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(652,283)	(732,603)
Outstanding letters of credit[(2)]	(4,185)	(4,185)
	(656,468)	(736,788)
Unused credit	**193,532**	**263,212**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves.

In connection with the most recent semi-annual review of the borrowing base limit under the Credit Facilities, which was completed by the Corporation's syndicate of lenders in May 2021, the borrowing base limit under the Credit Facilities was reduced from $1.0 billion to $850.0 million and the maturity date was extended to May 11, 2024.

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

The capital structure of the Corporation is as follows:

As at, *($000s)*	**September 30, 2021**	**December 31, 2020**	**% Change**
Shareholders' equity[(1)]	1,822,908	1,627,567	
Capital securities	38,328	39,930	
Shareholders' equity & capital securities	1,861,236	1,667,497	12%
Shareholders' equity & capital securities as a % of total capital[(2)]	74%	69%	
Working capital (surplus) deficit[(3)]	(10,422)	30,579	
Drawn revolving term credit facilities	652,283	732,603	
Drawn debt	641,861	763,182	(16)%
Drawn debt as a % of total capital	26%	31%	
Total capital	**2,503,097**	**2,430,679**	3%

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

(2) Of the 74%, approximately 94% relates to common capital stock and 4% relates to preferred capital stock.

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

12. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions.

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

	Three months ended September 30,		**Nine months ended September 30,**	
($000s)	**2021**	**2020**	**2021**	**2020**
Realized loss on financial instruments	(2,469)	(16,440)	(31,359)	(47,846)
Unrealized gain (loss) on financial instruments	70,493	(25,632)	84,213	(77,683)

Commodity Price Risk

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

Financial Derivative Contracts

At September 30, 2021, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial instruments as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss and realized upon settlement.

At September 30, 2021, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term(1)	Contract Price	Liability (*$000s*)
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	5,377
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	2,012
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	6,030
Natural gas	AECO 7A basis swap(2)	15,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	4,141
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	1,499
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	1,477
Natural gas	AECO 7A basis swap(2)	12,500 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	4,824
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	3,919
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	2,984
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	2,579
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	5,160
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	2,689
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	12,407
Natural gas	AECO 7A basis swap(2)	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	13,285
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	1,567
Natural gas	AECO 7A basis swap(2)	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	3,487
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	855
				Fair value	**74,292**

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

(2) Birchcliff sold AECO basis swap.

At September 30, 2021 if the future AECO/NYMEX basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in the nine months ended September 30, 2021 would have changed by approximately $23.1 million.

There were no financial derivative contracts entered into subsequent to September 30, 2021 to manage commodity price risk.

Physical Delivery Contracts

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

At September 30, 2021 the Corporation had the following physical delivery contract in place:

Product	Type of Contract	Quantity	Remaining Term	Contract Price
Natural gas	AECO 7A basis swap(1)	5,000 MMBtu/d	Oct. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.205/MMBtu

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to September 30, 2021 to manage commodity price risk.

Interest Rate Risk

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

At September 30, 2021, Birchcliff had the following financial derivative contracts in place in order to manage interest rate risk:

Type of Contract	Index	Remaining Term[(1)]	Notional Amount *($million)*	Fixed Rate *(%)*	Fair Value Liability *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR[(2)]	Oct. 1, 2021 – Mar. 1, 2024	350	2.215	**9,532**

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

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

At September 30, 2021 if the one-month banker's acceptance CDOR index changed by 0.10%, with all other variables held constant, after-tax net income in the nine months ended September 30, 2021 would have changed by approximately $0.3 million.

There were no financial derivative contracts entered into subsequent to September 30, 2021 to manage interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its petroleum and natural gas sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended September 30, 2021.

13. INVESTMENTS

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

As at September 30, 2021, the Corporation's investments primarily consisted of Securities that had a fair value of $6.9 million (December 31, 2020 - $1.8 million). Birchcliff recorded a gain on investment of $1.8 and $5.1 million during the three and nine months ended September 30, 2021 compared to a gain on investment of $1.1 million during the three months ended September 30, 2020 and a loss on investment of $2.0 million during the nine months ended September 30, 2020.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

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Vice-President, Exploration & Chief Operating Officer

Chris A. Carlsen
Vice-President, Engineering

Bruno P. Geremia
Vice-President & Chief Financial Officer

David M. Humphreys
Vice-President, Operations

DIRECTORS

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President & Chief Executive Officer
Calgary, Alberta

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Lead Independent Director
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Debra A. Gerlach
Independent Director
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Stacey E. McDonald
Independent Director
Calgary, Alberta

James W. Surbey
Non-Independent Director
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MANAGEMENT

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Robyn Bourgeois
General Counsel & Corporate Secretary

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Controller & Investor Relations Manager

Andrew Fulford
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Paul Messer
Manager of IT

Tyler Murray
Mineral Land Manager

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager of Human Resources & Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
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Vic Sandhawalia
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Daniel Sharp
Manager of Geology

Ryan Sloan
Health & Safety Manager

Duane Thompson
Production Manager

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Theo van der Werken
Asset Manager – Pouce Coupe

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Bank of Montreal
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