BIRCHCLIFF ENERGY LTD. ANNOUNCES Q1 2021 FINANCIAL AND OPERATIONAL RESULTS AND INCREASES ITS 2021 PRODUCTION, ADJUSTED FUNDS FLOW AND FREE FUNDS FLOW GUIDANCE

Calgary, Alberta (May 12, 2021) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is proud to announce its strong financial and operational results for the three months ended March 31, 2021. Birchcliff is also pleased to announce that it is maintaining its 2021 F&D capital expenditures guidance and increasing its 2021 production, adjusted funds flow and free funds flow guidance.

"Birchcliff had a strong first quarter in 2021, highlighted by excellent drilling results. The performance of new wells and the execution by our team helped us achieve an average production rate of 75,065 boe/d, which represents an increase of 2% over Q1 2020. This production, together with improved commodity prices, resulted in substantially higher adjusted funds flow of $87.8 million in the quarter, a 138% increase from Q1 2020. As a result of our strong new well performance and our improved outlook for commodity prices, we are increasing our 2021 guidance for production, adjusted funds flow and free funds flow. We are now targeting annual average production of 79,000 to 81,000 boe/d, up from 78,000 to 80,000 boe/d, and adjusted funds flow of $400 million, up from $360 million. Notwithstanding our increased outlook for adjusted funds flow, we remain committed to capital discipline and are maintaining our F&D capital expenditures guidance at $210 million to $230 million, which results in free funds flow of $170 million to $190 million and puts us in an excellent position to significantly reduce our total debt during the second half of 2021," commented Jeff Tonken, President and Chief Executive Officer of Birchcliff. "We are excited about the early results from the 7-well pad (04-04) that we brought on production in Pouce Coupe in March. The performance of these wells has exceeded our expectations, with very strong natural gas and condensate production rates. As a result, we have followed up with an 8-well pad immediately offsetting the 04-04 pad, which we expect to be brought on production in Q3 2021."

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2021 and related management's discussion and analysis (the "**MD&A**") will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

Q1 2021 HIGHLIGHTS

- Achieved quarterly average production of 75,065 boe/d, a 2% increase from Q1 2020.
- Liquids accounted for approximately 23% of Birchcliff's total production in Q1 2021, as compared to approximately 22% in Q1 2020, with total liquids production increasing by 7% from Q1 2020.
- Delivered $87.8 million of adjusted funds flow, or $0.33 per basic common share, a 138% increase and a 136% increase, respectively, from Q1 2020.
- Recorded net income to common shareholders of $22.2 million, or $0.08 per basic common share, as compared to a net loss to common shareholders of $45.2 million and $0.17 per basic common share in Q1 2020.
- Achieved operating expense of $3.18/boe, a 1% increase from Q1 2020.
- Realized an operating netback of $17.05/boe, an 83% increase from Q1 2020.
- F&D capital expenditures of $95.8 million. During the quarter, Birchcliff drilled 19 (19.0 net) wells and brought 7 (7.0 net) wells on production as part of the Corporation's 2021 capital program (the "**2021 Capital Program**").

This report contains forward-looking statements within the meaning of applicable securities laws. For further information regarding the forward-looking statements contained herein, see "Advisories – Forward-Looking Statements". In addition, this report 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" 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. For further information regarding these non-GAAP measures, see "Non-GAAP Measures". With respect to the disclosure of Birchcliff's production contained in this report, see "Advisories – Production".

Q1 2021 FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31, 2021	Three months ended March 31, 2020
OPERATING		
Average production		
Light oil *(bbls/d)*	3,355	3,954
Condensate *(bbls/d)*	5,467	4,524
NGLs *(bbls/d)*	8,734	7,962
Natural gas *(Mcf/d)*	345,057	342,831
Total *(boe/d)*	**75,065**	**73,580**
Average realized sales price *(CDN$)*(1)		
Light oil *(per bbl)*	67.02	53.18
Condensate *(per bbl)*	74.22	58.48
NGLs *(per bbl)*	24.69	12.02
Natural gas *(per Mcf)*	3.52	2.29
Total *(per boe)*	**27.47**	**18.41**
NETBACK AND COST *($/boe)*		
Petroleum and natural gas revenue(1)	27.47	18.41
Royalty expense	(1.72)	(0.95)
Operating expense	(3.18)	(3.14)
Transportation and other expense	(5.52)	(5.00)
Operating netback *($/boe)*	**17.05**	**9.32**
G&A expense, net	(0.92)	(0.90)
Interest expense	(1.21)	(0.89)
Realized loss on financial instruments	(2.29)	(2.13)
Other income	0.37	0.11
Adjusted funds flow netback *($/boe)*	**13.00**	**5.51**
Depletion and depreciation expense	(7.47)	(7.71)
Unrealized loss on financial instruments	(1.13)	(5.88)
Other (expenses) income(2)	0.25	(0.29)
Dividends on preferred shares	(0.25)	(0.29)
Income tax recovery (expense)	(1.12)	1.91
Net income (loss) to common shareholders *($/boe)*	**3.28**	**(6.75)**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*(1)	185,609	123,263
Cash flow from operating activities *($000s)*	82,608	50,551
Adjusted funds flow *($000s)*	87,820	36,894
Per basic common share *($)*	0.33	0.14
Net income (loss) to common shareholders *($000s)*	22,166	(45,201)
Per basic common share *($)*	0.08	(0.17)
End of period basic common shares *(000s)*	266,045	265,935
Weighted average basic common shares *(000s)*	265,989	265,935
Dividends on common shares *($000s)*	1,330	6,981
Dividends on preferred shares *($000s)*	1,746	1,922
F&D capital expenditures *($000s)*(3)	95,840	132,361
Total capital expenditures *($000s)*(3)	96,625	132,840
Long-term debt *($000s)*	701,735	619,055
Total debt *($000s)*	777,385	739,631

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

OUTLOOK AND GUIDANCE

Increased 2021 Guidance – Maintaining F&D Capital Expenditures

Birchcliff is revising its 2021 guidance as a result of its strong new well performance and improved outlook for commodity prices. Birchcliff now expects to generate approximately $400 million of adjusted funds flow on annual average production of 79,000 to 81,000 boe/d. The Corporation is now targeting $170 million to $190 million of free funds flow in 2021 (previously $130 million to $150 million), which will be prioritized towards debt reduction, with total debt at year end now anticipated to be $600 million to $620 million (previously $635 million to $655 million). Birchcliff is maintaining its previous guidance for F&D capital expenditures and its operating and transportation and other expenses and increasing its royalties guidance due to higher anticipated benchmark commodity prices.

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

	Revised 2021 guidance and assumptions(1)	Previous 2021 guidance and assumptions(2)
Production		
Annual average production *(boe/d)*	79,000 – 81,000	78,000 – 80,000
% Light oil	4%	5%
% Condensate	8%	9%
% NGLs	10%	10%
% Natural gas	78%	76%
Second half 2021 average production *(boe/d)*	84,000 – 86,000	83,000 – 85,000(3)
Average Expenses *($/boe)*		
Royalty	1.55 – 1.75	1.15 – 1.35
Operating	2.90 – 3.10	2.90 – 3.10
Transportation and other	5.00 – 5.20	5.00 – 5.20
Adjusted Funds Flow *(MM$)*	400(4)	360
F&D Capital Expenditures *(MM$)*(5)	210 – 230	210 – 230
Free Funds Flow *(MM$)*(6)	170 – 190	130 – 150
Total Debt at Year End *(MM$)*	600 – 620(7)	635 – 655
Natural Gas Market Exposure(8)		
AECO exposure as a % of total natural gas production	13%	12%
Dawn exposure as a % of total natural gas production	43%	44%
NYMEX HH exposure as a % of total natural gas production	38%	38%
Alliance exposure as a % of total natural gas production	6%	6%
Commodity Prices(9)		
Average WTI price *(US$/bbl)*	62.00	50.00
Average WTI-MSW differential *(CDN$/bbl)*	5.70	6.00
Average AECO 5A price *(CDN$/GJ)*	2.80	2.50
Average Dawn price *(US$/MMBtu)*(10)	2.85	2.75
Average NYMEX HH price *(US$/MMBtu)*(10)	2.90	2.80
Exchange rate *(CDN$ to US$1)*	1.24	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 80,000 boe/d during 2021, which is the mid-point of Birchcliff's revised annual average production guidance for 2021.

(2) As previously disclosed on March 10, 2021.

(3) Previously disclosed on January 20, 2021. Guidance disclosed on March 10, 2021 included Q4 2021 average production guidance of 83,000 to 85,000 boe/d, which guidance has not been updated.

(4) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial commodity risk management contracts outstanding as at May 12, 2021.

(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and corresponds to Birchcliff's 2021 F&D capital budget. See *"Advisories – Capital Expenditures"*.

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

(7) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of 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 266 million common, 2,000,000 series A and 1,550,129 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 debt or equity issuances; (iv) 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 (v) 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.

(8) Birchcliff's guidance regarding its natural gas market exposure in 2021 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 25,300 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 hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(9) Commodity price assumptions are based on anticipated full-year average benchmark prices which includes actual settled benchmark prices for the period from January 1, 2021 to April 30, 2021 and forward strip benchmark prices as of May 5, 2021 for the period from May 1, 2021 to December 31, 2021.

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

Adjusted Funds Flow Sensitivity

Birchcliff does not currently have in place any fixed price commodity hedges and therefore all of its production has benefited from the recent strengthening of benchmark oil and natural gas index prices.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of adjusted funds flow for 2021 of $400 million:

Forward Nine Months' Sensitivity(1)	Estimated change to 2021 adjusted funds flow *(MM$)*(2)(3)
Change in WTI US$1.00/bbl	3.8
Change in NYMEX HH US$0.10/MMBtu	4.1
Change in Dawn US$0.10/MMBtu	5.4
Change in AECO CDN$0.10/GJ	3.3
Change in CDN/US exchange rate CDN$0.01	3.6

(1) Adjusted funds flow sensitivities take into account actual settled benchmark prices and exchange rates from January 1, 2021 to March 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.

Ongoing volatility in commodity prices resulting from the COVID-19 pandemic may adversely and materially impact the Corporation's future financial and operational results. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact may be material. For further information, see "*Advisories – Forward-Looking Statements*" in this report.

EXTENSION OF CREDIT FACILITIES

Subsequent to the end of the quarter, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Corporation's extendible revolving credit facilities (the "**Credit Facilities**"). During this review, Birchcliff requested that the lenders agree to extend the maturity date of the Credit Facilities by two years and reduce the aggregate borrowing base limit from $1.0 billion to $850.0 million (see "*Q1 2021 Financial and Operational Results – Debt and Credit Facilities*"). Due to Birchcliff's significant anticipated adjusted funds flow in 2021 and its commitment to capital discipline and debt reduction, it does not anticipate requiring additional credit capacity, and accordingly, requested the borrowing base limit reduction. This reduction to the borrowing base limit will result in a corresponding decrease to its renewal and standby fees. Birchcliff is committed to capital discipline, reducing its interest costs, strengthening its balance sheet and reducing its total debt going forward. As noted above, Birchcliff expects to generate $170 million to $190 million of free funds flow and reduce its total debt to $600 million to $620 million in 2021.

ANNUAL MEETING OF SHAREHOLDERS – MAY 13, 2021

Birchcliff's annual meeting of shareholders (the "**Meeting**") is scheduled to take place tomorrow, Thursday, May 13, 2021 at 3:00 p.m. (Mountain Daylight Time). The Meeting will be held in a virtual-only format conducted via live audio webcast accessible online at https://web.lumiagm.com/245051871, password "birchcliff2021" (case sensitive). Details of the matters proposed to be put before the Meeting and instructions about how to attend and vote at the Meeting are set out in Birchcliff's management information circular, which can be found on the Corporation's website at www.birchcliffenergy.com/investors or on the Corporation's SEDAR profile at www.sedar.com. Registered shareholders and duly appointed proxyholders will be able to vote on the matters put before the Meeting and ask questions, regardless of their geographic location. Non-registered (beneficial) shareholders who have not duly appointed themselves as proxyholders may still attend the Meeting as guests. Guests will be able to login and listen to the proceedings of the Meeting but will not be able to vote.

Q1 2021 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 75,065 boe/d in Q1 2021, which was a 2% increase from 73,580 boe/d in Q1 2020. The increase was primarily due to incremental production volumes from the horizontal light oil and natural gas wells brought on production since Q1 2020, including from the new 7-well pad (04-04) brought on production in March 2021, partially offset by natural production declines.

Liquids accounted for approximately 23% of Birchcliff's total production in Q1 2021, as compared to approximately 22% in Q1 2020, with total liquids production increasing by 7% from Q1 2020. The change in the commodity production mix was primarily due to incremental production from new horizontal light oil and condensate-rich natural gas wells brought on production since Q1 2020, including from the 14-well pad (14-19) and the 7-well pad (04-04) brought on production in July 2020 and March 2021, respectively, as well as increased NGLs recovery at Phase III of the Corporation's 100% owned and operated natural gas processing plant in Pouce Coupe (the "**Pouce Coupe Gas Plant**") beginning in Q4 2020.

Adjusted Funds Flow

Birchcliff's adjusted funds flow in Q1 2021 was $87.8 million, or $0.33 per basic common share, a 138% increase and a 136% increase, respectively, from $36.9 million and $0.14 per basic common share in Q1 2020. The increases were primarily due to higher reported revenue which was largely the result of a 49% increase in the average realized sales price received for Birchcliff's production in Q1 2021 as compared to Q1 2020. The average realized sales price benefited from the significant recovery in benchmark oil and natural gas prices mainly due to renewed oil production curtailments by OPEC+, an increase in global demand for oil after governments began easing COVID-19 related restrictions and higher seasonal demand for natural gas in Q1 2021 as compared to Q1 2020.

Net Income to Common Shareholders

Birchcliff recorded net income to common shareholders of $22.2 million, or $0.08 per basic common share, in Q1 2021, as compared to a net loss to common shareholders of $45.2 million, or $0.17 per basic common share in Q1 2020. The change to a net income position was primarily due to higher adjusted funds flow and a lower unrealized after-tax mark-to-market loss on financial instruments in Q1 2021 as compared to Q1 2020.

Operating Expense

Birchcliff's operating expense was $3.18/boe in Q1 2021, a 1% increase from $3.14/boe in Q1 2020. The increase was primarily due to higher power and fuel prices as demand increased as a result of extreme cold winter conditions in Q1 2021 and an increase in production costs associated with higher natural gas volumes processed at third-party facilities in the Gordondale area. The increase was partially offset by improved operating efficiencies achieved in the field.

Birchcliff is committed to reducing its per unit operating expense 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 Q3 2020. Birchcliff's operating cost structure in Q1 2021 remained largely unaffected by the COVID-19 pandemic.

Operating Netback

Birchcliff's operating netback was $17.05/boe in Q1 2021, an 83% increase from $9.32/boe in Q1 2020. The increase was primarily due to higher per boe petroleum and natural gas revenue, partially offset by higher per boe royalty, operating and transportation and other expenses in Q1 2021.

Total Cash Costs

Birchcliff's total cash costs were $12.55/boe in Q1 2021, a 15% increase from $10.88/boe in Q1 2020. The increase was primarily due to higher per boe royalty, transportation and other and interest expenses.

Pouce Coupe Gas Plant Netbacks

During Q1 2021, Birchcliff processed 69% of its total corporate natural gas production and 60% of its total corporate production through the Pouce Coupe Gas Plant, as compared to 69% and 59%, respectively, during Q1 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:

	Three months ended March 31, 2021		Three months ended March 31, 2020	
Average production:				
Condensate *(bbls/d)*		3,704		2,981
NGLs *(bbls/d)*		2,046		1,025
Natural gas *(Mcf/d)*		237,957		239,236
Total *(boe/d)*		**45,409**		**43,879**
Liquids-to-gas ratio[(1)] *(bbls/MMcf)*		**24.2**		**16.7**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[(2)]	4.34	26.05	2.90	17.39
Royalty expense	(0.23)	(1.38)	(0.10)	(0.62)
Operating expense[(3)]	(0.37)	(2.24)	(0.33)	(1.98)
Transportation and other expense	(0.98)	(5.90)	(0.89)	(5.34)
Operating netback	**$2.76**	**$16.53**	**$1.58**	**$9.45**
Operating margin[(4)]	**64%**	**64%**	**54%**	**54%**

(1) Liquids consists of condensate and other NGLs.
(2) Excludes the effects of financial instruments but includes the effects of physical delivery contracts.
(3) Represents plant and field operating expense.
(4) Operating margin is calculated by dividing the operating netback for the period by the petroleum and natural gas revenue for the period.

Birchcliff's production and liquids-to-gas ratio increased from Q1 2020 primarily due to: (i) specifically targeted condensate-rich natural gas wells in Pouce Coupe, including the 14-well pad (14-19) and the 7-well pad (04-04) brought on production in July 2020 and March 2021, respectively; (ii) increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in Q4 2020; and (iii) the operation of its 20,000 bbls/d (50% condensate, 50% water) inlet liquids-handling facility at the Pouce Coupe Gas Plant (the "**Inlet Liquids-Handling Facility**"), which became operational in Q3 2020 and allows Birchcliff to handle increased condensate volumes in Pouce Coupe.

Debt and Credit Facilities

At March 31, 2021, Birchcliff had long-term bank debt of $701.7 million (March 31, 2020: $619.1 million) from available Credit Facilities of $1.0 billion (March 31, 2020: $1.0 billion), leaving $293.1 million of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized fees. Total debt at March 31, 2021 was $777.4 million, as compared to $739.6 million at March 31, 2020.

The agreement governing the Credit Facilities was amended effective May 6, 2021 to: (i) extend the maturity dates of each of the syndicated term credit facility (the "**Syndicated Credit Facility**") and the extendible revolving working capital facility ("**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. The Credit Facilities do not contain any financial maintenance covenants.

Commodity Prices

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

	Three months ended March 31,		
	2021	2020	% Change
Light oil – WTI Cushing *(US$/bbl)*	57.78	46.17	25
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	66.46	51.27	30
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	2.69	1.95	38
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.70	1.93	40
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	2.16	1.60	35
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	2.97	1.76	69
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.03	1.63	147
Exchange rate *(CDN$ to US$1)*	1.2663	1.3442	(6)
Exchange rate *(US$ to CDN$1)*	0.7897	0.7439	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. These instruments allow Birchcliff to swap its physical natural gas sales at the AECO 7A benchmark price for, predominantly on a financial basis, a floating NYMEX HH benchmark price less the fixed basis contract price. The price received for Birchcliff's NYMEX HH natural gas sales is not fixed, which allows the Corporation to fully participate in the current strengthening of NYMEX HH benchmark prices.

The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q1 2021, after taking into account the Corporation's financial instruments:

	Three months ended March 31, 2021					
	Effective sales *(CDN$000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total natural gas production *(%)*	Percentage of total corporate production *(%)*	Effective average realized sales price *(CDN$)*
Market						
AECO(1)(2)	13,633	7	45,352 Mcf	14	10	3.34/Mcf
Dawn(3)	53,869	32	160,280 Mcf	46	36	3.73/Mcf
NYMEX HH(1)	26,441	16	139,425 Mcf	40	31	2.11/Mcf
Total natural gas	**93,943**	**55**	**345,057 Mcf**	**100**	**77**	**3.03/Mcf**
Light oil	20,238	12	3,355 bbls		4	67.02/bbl
Condensate	36,516	22	5,467 bbls		7	74.22/bbl
NGLs	19,407	11	8,734 bbls		12	24.69/bbl
Total liquids	**76,161**	**45**	**17,556 bbls**		**23**	**48.20/bbl**
Total corporate	**170,104**	**100**	**75,066 boe**		**100**	**25.18/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$1.227/MMBtu during Q1 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 Q1 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.

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

	Three months ended March 31, 2021						
	Natural gas sales[(1)] (CDN$000s)	**Percentage of natural gas sales** (%)	**Natural gas production** (Mcf/d)	**Percentage of natural gas production** (%)	**Average realized natural gas sales price[(1)]** (CDN$/Mcf)	**Natural gas transportation costs[(2)]** (CDN$/Mcf)	**Natural gas sales netback[(3)]** (CDN$/Mcf)
AECO	39,392	36	133,379	39	3.28	0.51	2.77
Dawn	53,869	49	160,280	46	3.73	1.57	2.16
Alliance[(4)]	16,180	15	51,398	15	3.50	-	3.50
Total	**109,441**	**100**	**345,057**	**100**	**3.52**	**0.93**	**2.59**
	Three months ended March 31, 2020						
	Natural gas sales[(1)] (CDN$000s)	**Percentage of natural gas sales** (%)	**Natural gas production** (Mcf/d)	**Percentage of natural gas production** (%)	**Average realized natural gas sales price[(1)]** (CDN$/Mcf)	**Natural gas transportation costs[(2)]** (CDN$/Mcf)	**Natural gas sales netback[(3)]** (CDN$/Mcf)
AECO	34,352	48	175,188	51	2.17	0.38	1.79
Dawn	35,818	50	159,126	46	2.47	1.45	1.02
Alliance[(4)]	1,162	2	8,517	3	1.50	-	1.50
Total	**71,332**	**100**	**342,831**	**100**	**2.29**	**0.87**	**1.42**

(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 Q1 2021, Birchcliff continued with the successful execution of its 2021 Capital Program, drilling 19 (19.0 net) wells, completing 11 (11.0 net) wells and bringing 7 (7.0 net) wells on production. The following table sets forth the number of wells drilled and brought on production by the Corporation in Q1 2021:

Area	**Wells drilled in Q1 2021**	**Wells brought on production in Q1 2021[(1)]**
Pouce Coupe		
Montney D1 horizontal natural gas wells	6	1
Montney D2 horizontal natural gas wells	3	0
Montney C horizontal natural gas wells	3	0
Basal Doig/Upper Montney horizontal natural gas wells	3	6
Total – Pouce Coupe	**15**	**7**
Gordondale		
Montney D1 horizontal natural gas wells	2	0
Montney D2 horizontal natural gas wells	1	0
Montney C horizontal natural gas wells	1	0
Montney D1 horizontal oil wells	0	0
Montney D2 horizontal oil wells	0	0
Total – Gordondale	**4**	**0**
TOTAL – COMBINED	**19**	**7**

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

Total capital expenditures for Q1 2021 were $96.6 million, which included F&D capital expenditures of $95.8 million. For further information regarding Birchcliff's operational activities year-to-date, see *"Operational Update"*.

OPERATIONAL UPDATE

The 2021 Capital Program is focused on developing Birchcliff's low-cost natural gas and liquids-rich production in Pouce Coupe and Gordondale, with the majority of capital investment directed to drilling, completing and bringing on production horizontal condensate-rich natural gas wells in Pouce Coupe and horizontal light oil and condensate-rich natural gas wells in Gordondale. Birchcliff has completed the majority of its 2021 Capital Program, with all but 2 wells being drilled, 21 of 33 wells being completed and 11 of 33 wells being brought on production to date and several field infrastructure projects successfully completed. The 2021 Capital Program is 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.

The following tables set forth the wells that Birchcliff has drilled and brought on production year-to-date and the remaining and total number of wells to be drilled and brought on production in 2021:

Wells Drilled – 2021

Area	Wells drilled to date in 2021	Remaining wells to be drilled in 2021	Total wells to be drilled in 2021
Pouce Coupe			
Montney D1 horizontal natural gas wells	7	0	7
Montney D2 horizontal natural gas wells	3	0	3
Montney C horizontal natural gas wells	3	0	3
Basal Doig/Upper Montney horizontal natural gas wells	6	0	6
Total – Pouce Coupe	**19**	**0**	**19**
Gordondale			
Montney D1 horizontal natural gas wells	2	0	2
Montney D2 horizontal natural gas wells	1	0	1
Montney C horizontal natural gas wells	1	0	1
Montney D1 horizontal oil wells	1	1	2
Montney D2 horizontal oil wells	1	1	2
Total – Gordondale	**6**	**2**	**8**
TOTAL – COMBINED	**25**	**2**	**27**

Wells Brought on Production – 2021

Area	Wells brought on production to date in 2021(1)	Remaining wells to be brought on production in 2021	Total wells to be brought on production in 2021(1)
Pouce Coupe			
Montney D1 horizontal natural gas wells	1	6	7
Montney D2 horizontal natural gas wells	0	3	3
Montney C horizontal natural gas wells	0	3	3
Basal Doig/Upper Montney horizontal natural gas wells	6	6	12
Total – Pouce Coupe	**7**	**18**	**25**
Gordondale			
Montney D1 horizontal natural gas wells	2	0	2
Montney D2 horizontal natural gas wells	1	0	1
Montney C horizontal natural gas wells	1	0	1
Montney D1 horizontal oil wells	0	2	2
Montney D2 horizontal oil wells	0	2	2
Total – Gordondale	**4**	**4**	**8**
TOTAL – COMBINED	**11**	**22**	**33**

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

Pouce Coupe Area

Significant IP30 and IP60 Results from Birchcliff's 7-Well Pad (04-04-78-13W6)

Birchcliff has successfully completed its 7-well pad (04-04) in Pouce Coupe, which was drilled in late Q4 2020 and early January 2021 and brought on production in March 2021 through Birchcliff's existing owned and operated infrastructure. Six wells on the 04-04 pad were drilled in the Basal Doig/Upper Montney interval and one well was drilled in the Montney D1 interval, offsetting several of Birchcliff's existing high-productivity, low-cost natural gas wells.

The wells have now been producing for over 60 days and have produced at significantly better rates than previously forecast. After completing approximately 20 days of initial well testing and frac clean-up operations, the 6 Basal Doig/Upper Montney wells have flowed with approximate peak daily rates between 5.5 and 10.5 MMcf/d, with 40 to 70 bbls of condensate per MMcf of natural gas and the Montney D1 well has flowed with a peak daily rate of 14.0 MMcf/d with 5 bbls of condensate per MMcf of natural gas. After well testing, the Corporation has been flowing the wells at restricted rates between 3.0 and 6.5 MMcf/d to manage drawdown and any potential sand flowback. Birchcliff expects that several of the wells are capable of being held at stabilized rates for an extended duration, which will allow for strong stable production profiles and less backout of Birchcliff's existing area production.

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 7 wells:

	IP 30[(1)]	IP 60[(1)]
Aggregate production rate *(boe/d)*	**8,728**	**7,753**
Aggregate natural gas production rate *(Mcf/d)*	46,824	41,854
Aggregate condensate production rate *(bbls/d)*	923	777
Average per well production rate *(boe/d)*	**1,247**	**1,108**
Average per well natural gas production rate *(Mcf/d)*	6,689	5,979
Average per well condensate production rate *(bbls/d)*	132	111
Condensate to gas ratio *(bbls/MMcf)*	**20**	**19**

(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"*.

8-Well Pad (14-28-77-13W6)

The results from the 04-04 pad provide Birchcliff with significantly more potential high-rate natural gas and condensate drilling opportunities. In light of the successful results, Birchcliff has substituted 4 wells from a northern Pouce Coupe pad with 4 wells on its 8-well pad (14-28), which is offsetting the 04-04 pad. The Corporation has recently completed the drilling of all 8 wells on the 14-28 pad (6 in the Basal Doig/Upper Montney and 2 in the Montney D1) and the pad is now awaiting completion operations. Modifying the 2021 Capital Program by moving these wells within Pouce Coupe reflects Birchcliff's ability to build on its recent drilling success.

10-Well Pad (14-06-79-13W6)

Birchcliff has successfully drilled, completed and is currently in preliminary flow testing operations on its 10-well pad (14-06), which was drilled in 3 intervals (3 in the Montney C, 4 in the Montney D1 and 3 in the Montney D2). The pad resides three miles south of the Corporation's 2020 14-well pad (14-19) and is targeting condensate-rich natural gas wells versus the light oil wells discovered at 14-19 pad. Birchcliff expects to continue to drive drilling and completion costs down through scale and repeatability on larger pads as exhibited by its recent execution on its 2021 Capital Program and the successful operations at the 14-19 pad in 2020.

It is expected that the 14-06 pad and the 14-28 pad will be brought on production in the second and third quarters of 2021, respectively. The Inlet Liquids-Handling Facility, which was completed in Q3 2020, allows the Corporation to process and sell the condensate from its new wells in Pouce Coupe to achieve a premium price and handle the majority of the fracture flowback water volumes at the Pouce Coupe Gas Plant instead of relying on third-party infrastructure.

2020 14-Well Pad (14-19-79-11W6) Update

In Q3 2020, the Corporation brought the production on from its 14-well pad (14-19) located in the northeastern area of Pouce Coupe. The 14 wells were drilled in 3 different intervals (5 in the Montney D2, 4 in the Montney D1 and 5 in the

Montney C). The wells have now been producing for over 6 months and continue to produce more condensate/light oil than initially forecast. Final average per well costs were approximately $4.2 million per well.

The gross capital cost of the 14-19 pad was $58.2 million dollars, which includes a large diameter pipeline that has significant future value. As of April 30, 2021, Birchcliff has received estimated net operating cash flow of approximately $37.0 million dollars from the pad since it has come on-stream in August 2020 and anticipates that the pad will pay out approximately 1.3 years after coming on-stream.

Gordondale Area

Birchcliff plans to drill and bring on production a total of 8 (8.0 net) wells on 2 pads in Gordondale in 2021, which is expected to keep AltaGas's deep-cut sour gas processing facility in Gordondale (the "**AltaGas Facility**") full during the year. Development of the Montney D1 and D2 will continue in Gordondale and Birchcliff has also recently brought on production its first Montney C well in Gordondale. The Corporation is targeting liquids-rich natural gas versus light oil due to Birchcliff's outlook for strong natural gas prices.

4-Well Pad (05-07-79-11W6)

Subsequent to the end of the first quarter, Birchcliff completed and brought on production its 4-well pad (05-07) in Gordondale which utilized multi-interval cube style development. The 05-07 pad is targeting 3 intervals (2 in the Montney D1, 1 in the Montney D2 and 1 in the Montney C). The extension of the Montney C interval into Gordondale is based on successful well results offsetting in Pouce Coupe and significant technical reservoir and geoscience work. Birchcliff has been encouraged by the initial flow test results to date on this pad.

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

Birchcliff currently has one drilling rig working at its 4-well pad (06-35) in Gordondale, which is targeting light oil and natural gas in two intervals (2 in the Montney D1 and 2 in the Montney D2). 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Birchcliff is committed to the responsible development of its assets and is one of the lowest emissions intensity producers in the industry. Continuing Birchcliff's industry-leading ESG performance remains a top priority in 2021. Birchcliff intends to release its ESG report for the year ended December 31, 2020 in Q3 2021.

Emissions Performance Credits

The Pouce Coupe Gas Plant is a very low emissions intensity facility and is playing a significant role in Birchcliff continuing to be one of the lowest emissions intensity producers in the industry. Birchcliff has been awarded Emissions Performance Credits ("**EPCs**") for the two most recent reporting years, valued at an aggregate of approximately $2.8 million, as a result of the many efficiency initiatives at the Pouce Coupe Gas Plant. In Alberta EPCs are awarded pursuant to the *Technology Innovation and Emissions Reduction Regulation* ("**TIER**"), which replaced its predecessor regulation on January 1, 2020. Facilities regulated under TIER, such as the Pouce Coupe Gas Plant, must reduce emissions beyond their established facility benchmarks in order to generate EPCs.

The Pouce Coupe Gas Plant is highly fuel efficient compared to many older plants in Alberta. It is equipped with modern, high-efficiency natural gas engines with state-of-the-art emission controls, waste heat recovery, high efficiency process heaters, and acid gas capture and sequestration. The Pouce Coupe Gas Plant has two acid gas sequestration wells, which have extracted and disposed of over 56,300 tonnes of CO_2 from the raw natural gas stream in their 11 years of operation. This acid gas scheme is a significant competitive advantage for Birchcliff as the price of carbon increases.

Further Emissions Reduction Initiatives

Birchcliff maintains an active fugitive emission management program to detect and repair methane leaks, pursuant to Alberta Energy Regulator Directive 060: *Upstream Petroleum Industry Flaring, Incinerating, and Venting* ("**Directive 60**"). Birchcliff engages a third-party environmental firm to conduct an annual fugitive emission survey on its behalf. This report summarizes the emissions identified at each of the surveyed facilities, as well as the leak detection and quantification methodologies applied. Additionally, Birchcliff is continually looking for opportunities to reduce its carbon footprint. The Corporation has developed a Methane Reduction and Retrofit Compliance Plan ("**MRRCP**") pursuant to

Directive 60 to identify, retrofit or remove all remaining venting equipment from its operations. Birchcliff has a relatively small inventory of remaining methane venting equipment, such as pneumatic devices and compressor seals, and expects to have this initiative completed by 2023. In 2020, these venting sources combined with fugitive emissions made up only approximately 10% of Birchcliff's corporate GHG emissions. With the implementation of its MRRCP, the Corporation anticipates that these venting sources and fugitive emissions will be reduced by 50% before 2023.

NGIF Industry Grants and NGIF Cleantech Ventures Equity Fund

Birchcliff is investing financial resources and time to support its commitment to further reduce its impact and the impact of the oil and gas industry as a whole on the environment. Birchcliff is proud to be a partner in the Natural Gas Innovation Fund ("**NGIF**") through two of its entities: NGIF Industry Grants organization and Cleantech Ventures Equity Fund.

Birchcliff has been a member of NGIF Industry Grants since 2018 when it was expanded to include natural gas producers. NGIF Industry Grants was created by the Canadian Gas Association to support the funding of cleantech innovation in the natural gas value chain. In total, NGIF Industry Grants has approved grant funding to over 50 projects, committing approximately $15 million, and leveraged federal and provincial grant funding of over $35 million, to help early-stage clean technology companies develop solutions to reduce emissions, increase energy efficiency and accelerate the use of natural gas to support environmental goals in Canada. NGIF Industry Grants anticipates that the technologies supported by these grants will result in an estimated 6 megatonne reduction in emissions by 2030, as the technologies are commercialized.

On April 1, 2021, Birchcliff became a founding partner in the NGIF Cleantech Ventures Equity Fund, a $35 million industry-led seed fund that will leverage the experience and expertise of the seven energy sector limited partner investors to support early-stage clean technology companies through equity investment. NGIF Cleantech Ventures investments will include solutions that lead to emissions reductions and other environmental benefits in existing natural gas production, transmission, distribution, carbon capture utilization and storage, and end-use applications, as well as projects that will lead to the expanded production of emerging fuels like renewable natural gas and hydrogen.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated May 12, 2021 is with respect to the three months ended March 31, 2021 (the "**Reporting Period**") as compared to the three months ended March 31, 2020 (the "**Comparable Prior Period**"). This MD&A has been prepared by management and approved by the Corporation's Audit Committee and Board of Directors and should be read in conjunction with the unaudited interim condensed financial statements for the Reporting Period and the annual audited financial statements of the Corporation and the 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" 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

On January 30, 2020, the World Health Organization declared the novel Coronavirus disease ("**COVID-19**") outbreak a public health emergency of international concern and on March 11, 2020, declared it to be a pandemic. The outbreak of 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. In response, Birchcliff took decisive action in 2020 to protect its balance sheet and ensure liquidity and financial flexibility.

During the Reporting Period, the global economy showed signs of strong recovery from the impacts of the COVID-19 pandemic. The outlook for crude oil demand has improved due to the easing of restrictions combined with the distribution of vaccines in developed countries. Global spot prices for crude oil have recovered to pre-pandemic levels as optimism for demand recovery improves and OPEC+ continues to adhere to production curtailments that limit supply. However, economic conditions and the outlook for crude oil prices remain somewhat uncertain due to the impact of recent COVID-19 variants of concern and the timing of the roll-out of vaccines, which have the potential to delay the recovery of global economic conditions.

In response to the ongoing COVID-19 pandemic, Birchcliff has in place a number of initiatives 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. In addition, the Corporation continues to have in place remote working capabilities and procedures to ensure business continuity and the reliability of its operations in the event of future COVID-19 related restrictions or lockdowns.

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. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at March 31, 2021 and have been reflected in the Corporation's results.

HIGHLIGHTS

- Achieved quarterly average production of 75,065 boe/d, a 2% increase from the Comparable Prior Period.
- Liquids accounted for approximately 23% of Birchcliff's total production in the Reporting Period, as compared to approximately 22% in the Comparable Prior Period, with total liquids production increasing by 7% from the Comparable Prior Period.
- Delivered $87.8 million of adjusted funds flow, or $0.33 per basic common share, a 138% increase and a 136% increase, respectively, from the Comparable Prior Period.
- Recorded net income to common shareholders of $22.2 million, or $0.08 per basic common share, as compared to a net loss to common shareholders of $45.2 million and $0.17 per basic common share in the Comparable Prior Period.
- Achieved operating expense of $3.18/boe, a 1% increase from the Comparable Prior Period.
- Realized an operating netback of $17.05/boe, an 83% increase from the Comparable Prior Period.
- F&D capital expenditures of $95.8 million. During the Reporting Period, Birchcliff drilled 19 (19.0 net) wells and brought 7 (7.0 net) wells on production as part of the Corporation's 2021 capital program (the "**2021 Capital Program**").

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

OUTLOOK AND GUIDANCE

Revised 2021 Guidance

Birchcliff is revising its 2021 guidance as a result of its strong new well performance and improved outlook for commodity prices. Birchcliff now expects to generate approximately $400 million of adjusted funds flow on annual average production of 79,000 to 81,000 boe/d. The Corporation is now targeting $170 million to $190 million of free funds flow in 2021 (previously $130 million to $150 million), which will be prioritized towards debt reduction, with total debt at year end now anticipated to be $600 million to $620 million (previously $635 million to $655 million). Birchcliff is maintaining its previous guidance for F&D capital expenditures and its operating and transportation and other expenses and increasing its royalties guidance due to higher anticipated benchmark commodity prices.

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

	Revised 2021 guidance and assumptions(1)	Previous 2021 guidance and assumptions(2)
Production		
Annual average production *(boe/d)*	79,000 – 81,000	78,000 – 80,000
% Light oil	4%	5%
% Condensate	8%	9%
% NGLs	10%	10%
% Natural gas	78%	76%
Second half 2021 average production *(boe/d)*	84,000 – 86,000	83,000 – 85,000(3)
Average Expenses *($/boe)*		
Royalty	1.55 – 1.75	1.15 – 1.35
Operating	2.90 – 3.10	2.90 – 3.10
Transportation and other	5.00 – 5.20	5.00 – 5.20
Adjusted Funds Flow *(MM$)*	400(4)	360
F&D Capital Expenditures *(MM$)*(5)	210 – 230	210 – 230
Free Funds Flow *(MM$)*(6)	170 – 190	130 – 150
Total Debt at Year End *(MM$)*	600 – 620(7)	635 – 655
Natural Gas Market Exposure(8)		
AECO exposure as a % of total natural gas production	13%	12%
Dawn exposure as a % of total natural gas production	43%	44%
NYMEX HH exposure as a % of total natural gas production	38%	38%
Alliance exposure as a % of total natural gas production	6%	6%
Commodity Prices(9)		
Average WTI price *(US$/bbl)*	62.00	50.00
Average WTI-MSW differential *(CDN$/bbl)*	5.70	6.00
Average AECO 5A price *(CDN$/GJ)*	2.80	2.50
Average Dawn price *(US$/MMBtu)*(10)	2.85	2.75
Average NYMEX HH price *(US$/MMBtu)*(10)	2.90	2.80
Exchange rate *(CDN$ to US$1)*	1.24	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 80,000 boe/d during 2021, which is the mid-point of Birchcliff's revised annual average production guidance for 2021.

(2) As previously disclosed on March 10, 2021.

(3) Previously disclosed on January 20, 2021. Guidance disclosed on March 10, 2021 included Q4 2021 average production guidance of 83,000 to 85,000 boe/d, which guidance has not been updated.

(4) Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial commodity risk management contracts outstanding as at May 12, 2021.

(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and corresponds to Birchcliff's 2021 F&D capital budget. See *"Advisories – Capital Expenditures"* in this MD&A.

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

(7) The total debt amount set forth in the table above assumes the following: (i) that the timing and amount of 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 266 million common, 2,000,000 Series A and 1,550,129 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 debt or equity issuances; (iv) 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 (v) 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.

(8) Birchcliff's guidance regarding its natural gas market exposure in 2021 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 25,300 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 hedged on a financial and physical basis at a fixed basis differential between the AECO 7A price and the NYMEX HH price.

(9) Commodity price assumptions are based on anticipated full-year average benchmark prices which includes actual settled benchmark prices for the period from January 1, 2021 to April 30, 2021 and forward strip benchmark prices as of May 5, 2021 for the period from May 1, 2021 to December 31, 2021.

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

Adjusted Funds Flow Sensitivity

Birchcliff does not currently have in place any fixed price commodity hedges and therefore all of its production has benefited from the recent strengthening of benchmark oil and natural gas index prices.

The following table illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of adjusted funds flow for 2021 of $400 million:

Forward Nine Months' Sensitivity(1)	**Estimated change to 2021 adjusted funds flow *(MM$)***(2)(3)
Change in WTI US$1.00/bbl	3.8
Change in NYMEX HH US$0.10/MMBtu	4.1
Change in Dawn US$0.10/MMBtu	5.4
Change in AECO CDN$0.10/GJ	3.3
Change in CDN/US exchange rate CDN$0.01	3.6

(1) Adjusted funds flow sensitivities take into account actual settled benchmark prices and exchange rates from January 1, 2021 to March 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.

Ongoing volatility in commodity prices resulting from the COVID-19 pandemic may adversely and materially impact the Corporation's future financial and operational results. Changes in assumed commodity prices and variances in production estimates can have a significant impact on the Corporation's estimates of adjusted funds flow and free funds flow and the Corporation's other guidance, 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 March 31, 2021	Three months ended March 31, 2020
Cash flow from operating activities *($000s)*	82,608	50,551
Adjusted funds flow *($000s)*	**87,820**	**36,894**
Per common share – basic *($)*	0.33	0.14
Per common share – diluted *($)*	0.33	0.14
Adjusted funds flow netback *($/boe)*	13.00	5.51

Adjusted funds flow in the Reporting Period increased by 138% from the Comparable Prior Period. The increase was primarily due to higher reported revenue which was largely the result of a 49% increase in the average realized sales price received for Birchcliff's production as compared to the Comparable Prior Period. The average realized sales price benefited from the significant recovery in benchmark oil and natural gas prices mainly due to renewed oil production curtailments by OPEC+, an increase in global demand for oil after governments began easing COVID-19 related restrictions and higher seasonal demand for natural gas in the Reporting Period as compared to the Comparable Prior Period.

Cash flow from operating activities for the Reporting Period increased by 63% from the Comparable Prior Period. The reason for the increase is consistent with the explanation for adjusted funds flow; however, cash flow from operating activities was also impacted by changes in non-cash operating working capital and decommissioning expenditures.

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

($/boe)	Three months ended March 31, 2021	2020	% Change
Royalty expense	1.72	0.95	81
Operating expense	3.18	3.14	1
Transportation and other expense	5.52	5.00	10
G&A expense, net	0.92	0.90	2
Interest expense	1.21	0.89	36
Total cash costs	**12.55**	**10.88**	**15**

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 March 31, 2021	Three months ended March 31, 2020
Net income (loss) to common shareholders *($000s)*	**22,166**	**(45,201)**
Per common share – basic *($)*	0.08	(0.17)
Per common share – diluted *($)*	0.08	(0.17)
Net income (loss) to common shareholders *($/boe)*	3.28	(6.75)

The change to a net income position was primarily due to higher adjusted funds flow and a lower unrealized after-tax mark-to-market loss on financial instruments in the Reporting Period as compared to the Comparable Prior Period. See "*Discussion of Operations*" in this MD&A for further details regarding the period-over-period movement in unrealized and realized losses on financial instruments.

POUCE COUPE GAS PLANT NETBACKS

In the Reporting Period, Birchcliff processed 69% of its total corporate natural gas production and 60% of its total corporate production through its 100% owned and operated natural gas processing plant in Pouce Coupe (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:

	Three months ended March 31, 2021		Three months ended March 31, 2020	
Average production:				
Condensate *(bbls/d)*		3,704		2,981
NGLs *(bbls/d)*		2,046		1,025
Natural gas *(Mcf/d)*		237,957		239,236
Total *(boe/d)*		**45,409**		**43,879**
Liquids-to-gas ratio(1) *(bbls/MMcf)*		**24.2**		**16.7**
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue(2)	4.34	26.05	2.90	17.39
Royalty expense	(0.23)	(1.38)	(0.10)	(0.62)
Operating expense(3)	(0.37)	(2.24)	(0.33)	(1.98)
Transportation and other expense	(0.98)	(5.90)	(0.89)	(5.34)
Operating netback	**$2.76**	**$16.53**	**$1.58**	**$9.45**
Operating margin(4)	**64%**	**64%**	**54%**	**54%**

(1) Liquids consists of condensate and other NGLs.

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

(3) Represents plant and field operating expense.

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

The Corporation's production and liquids-to-gas ratio increased from the Comparable Prior Period primarily due to: (i) specifically targeted condensate-rich natural gas wells in Pouce Coupe, including the 14-well pad (14-19) and the 7-well pad (04-04) brought on production in July 2020 and March 2021, respectively; (ii) increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in the fourth quarter of 2020; and (iii) the operation of its 20,000 bbls/d (50% condensate, 50% water) inlet liquids-handling facility at the Pouce Coupe Gas Plant (the "**Inlet Liquids-Handling Facility**") which became operational in the third quarter of 2020 and allows the Corporation to handle increased condensate volumes in Pouce Coupe.

Operating netback per boe increased by 75% from the Comparable Prior Period primarily due to higher per boe petroleum and natural gas revenue, partially offset by higher per boe royalty, operating and transportation and other expenses. Petroleum and natural gas revenue and royalty expense increased primarily due to higher average realized sales prices received for Birchcliff's liquids and natural gas production. Operating expense was higher primarily due to higher power and fuel prices at the Pouce Coupe Gas Plant, partially offset by increased field operating efficiencies that included improved condensate handling capabilities in the Reporting Period. Transportation and other expense increased mainly due to additional AECO firm service transportation on the NGTL system and higher liquids production in the Pouce Coupe field that resulted in higher transportation costs during the Reporting Period.

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 March 31, 2021			Three months ended March 31, 2020	
($000s)	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil	145	20,082	20,238	226	18,910	19,138
Condensate	25,159	11,357	36,516	18,180	5,899	24,080
NGLs	5,591	13,816	19,407	2,560	6,150	8,710
Natural gas	79,466	29,972	109,441	53,598	17,734	71,332
P&NG sales(2)	110,361	75,227	185,602	74,564	48,693	123,260
Royalty income	1	2	7	1	-	3
P&NG revenue	**110,362**	**75,229**	**185,609**	**74,565**	**48,693**	**123,263**
% of corporate P&NG revenue	**59%**	**41%**		**60%**	**40%**	

(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 51% from the Comparable Prior Period. Petroleum and natural gas revenue increased mainly due to a 2% increase in production and a 49% increase in the average realized sales price Birchcliff received for its production in the Reporting Period. The average realized sales price increased significantly due to the recovery in benchmark oil and natural gas prices to pre-pandemic levels. See "*Discussion of Operations – Production*" and "*Discussion of Operations – Commodity Prices*" in this MD&A for further details regarding the period-over-period movement in production and average realized sales prices.

Production

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

		Three months ended March 31, 2021			Three months ended March 31, 2020	
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
Light oil *(bbls/d)*	24	3,330	3,355	43	3,911	3,954
Condensate *(bbls/d)*	3,819	1,648	5,467	3,341	1,184	4,524
NGLs *(bbls/d)*	2,096	6,638	8,734	1,154	6,808	7,962
Natural gas *(Mcf/d)*	247,062	97,987	345,057	253,940	88,891	342,831
Production *(boe/d)*	**47,116**	**27,946**	**75,065**	**46,861**	**26,718**	**73,580**
Liquids-to-gas ratio *(bbls/MMcf)*	**24.0**	**118.5**	**50.9**	**17.9**	**133.9**	**48.0**
% of corporate production	**63%**	**37%**		**64%**	**36%**	

(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 2% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the horizontal light oil and natural gas wells brought on production since the Comparable Prior Period, including from the 7-well pad (04-04) brought on production in March 2021, partially offset by natural production declines.

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

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
% Light oil production	-	12%	4%	-	15%	5%
% Condensate production	8%	6%	7%	8%	5%	6%
% NGLs production	4%	24%	12%	2%	25%	11%
% Natural gas production	88%	58%	77%	90%	55%	78%

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

Corporate liquids accounted for approximately 23% of Birchcliff's total production in the Reporting Period, as compared to approximately 22% in the Comparable Prior Period, with total liquids production increasing by 7% from the Comparable Prior Period. The change in the commodity production mix was primarily due to incremental production from new horizontal light oil and condensate-rich natural gas wells brought on production since the Comparable Prior Period, including from the 14-well pad (14-19) and the 7-well pad (04-04) brought on production in July 2020 and March 2021, respectively, as well as increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in the fourth quarter of 2020.

Commodity Prices

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

	Three months ended March 31,		
	2021	2020	% Change
Light oil – WTI Cushing *(US$/bbl)*	57.78	46.17	25
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	66.46	51.27	30
Natural gas – NYMEX HH *(US$/MMBtu)*(1)	2.69	1.95	38
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.70	1.93	40
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*(1)	2.16	1.60	35
Natural gas – Dawn Day Ahead *(US$/MMBtu)*(1)	2.97	1.76	69
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	4.03	1.63	147
Exchange rate *(CDN$ to US$1)*	1.2663	1.3442	(6)
Exchange rate *(US$ to CDN$1)*	0.7897	0.7439	6

(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. Birchcliff sold financial and physical AECO 7A basis swaps for 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Period as compared to 135,200 MMBtu/d and US$1.234/MMBtu in the Comparable Prior Period. 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 consuming oil markets.

The WTI benchmark oil price increased by 25% from the Comparable Prior Period. In late February 2020, benchmark oil prices started a significant drop predominately due to the COVID-19 pandemic, resulting in significant oil demand destruction. Benchmark oil prices began to recover in the second half of 2020 and into the Reporting Period due to renewed production curtailments by OPEC+, an increase in demand for oil after governments began to ease COVID-19 related restrictions, market optimism generated by COVID-19 vaccine approvals and global vaccine distribution.

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

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

		Three months ended March 31,	
	2021	**2020**	**% Change**
Light oil *($/bbl)*	67.02	53.18	26
Condensate *($/bbl)*	74.22	58.48	27
NGLs *($/bbl)*	24.69	12.02	105
Natural gas *($/Mcf)*	3.52	2.29	54
Average realized sales price *($/boe)*[(1)]	**27.47**	**18.41**	**49**

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

The average realized sales price increased by 49% from the Comparable Prior Period primarily due to higher average benchmark commodity prices and the increased weighting in higher-value liquids production in the Reporting Period. See "*Discussion of Operations – Operating Netbacks"* in this MD&A for details on production and average realized pricing for the Corporation's Pouce Coupe and Gordondale assets.

Natural Gas Sales, Production and Average Realized Sales Price

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

	Three months ended March 31, 2021					**Three months ended March 31, 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	39,392	36	133,379	39	3.28	34,352	48	175,188	51	2.17
Dawn	53,869	49	160,280	46	3.73	35,818	50	159,126	46	2.47
Alliance[(2)]	16,180	15	51,398	15	3.50	1,162	2	8,517	3	1.50
Total	**109,441**	**100**	**345,057**	**100**	**3.52**	**71,332**	**100**	**342,831**	**100**	**2.29**

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

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

Risk Management

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

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position on a mark-to-market fair value basis at March 31, 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.

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

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

(2) Birchcliff sold AECO basis swap.

There were no financial derivative contracts entered into subsequent to March 31, 2021.

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

At March 31, 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	Apr. 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 March 31, 2021.

Interest Rate Risk

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

At March 31, 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)	Apr. 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**").

Realized and Unrealized Losses on Financial Instruments

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

	Three months ended March 31,			
	2021		2020	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Realized loss on financial instruments	15,498	2.29	14,260	2.13
Unrealized loss on financial instruments	7,619	1.13	39,339	5.88

Birchcliff realized a cash loss on financial instruments of $15.5 million primarily due to the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Period.

Birchcliff recorded an unrealized non-cash loss on financial instruments of $7.6 million in the Reporting Period. The unrealized loss for the Reporting Period was due to the change in the fair value of the Corporation's financial instruments. The change in the fair value of financial instruments in the Reporting Period was primarily due to: (i) fluctuations in the forward basis spread between NYMEX HH and AECO 7A contracts outstanding at March 31, 2021, as compared to the fair value previously assessed at December 31, 2020; and (ii) the settlement of financial NYMEX HH/AECO basis swap contracts in the Reporting Period.

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

Royalties

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

	Three months ended March 31,	
	2021	2020
Royalty expense *($000s)*(1)	11,627	6,361
Royalty expense *($/boe)*	1.72	0.95
Effective royalty rate *(%)*(2)	6%	5%

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

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

Birchcliff's per unit royalties increased by 81% from the Comparable Prior Period primarily due to the increase in the average realized liquids and natural gas sales prices in the Reporting Period 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 March 31,	
($000s)	2021	2020
Field operating expense	23,043	21,868
Recoveries	(1,545)	(821)
Operating expense	**21,498**	**21,047**
Operating expense per boe	**$3.18**	**$3.14**

On a per unit basis, operating expense increased by 1% from the Comparable Prior Period. The increase was primarily due to higher power and fuel prices as demand increased as a result of extreme cold winter conditions in the Reporting Period and an increase in production costs associated with higher natural gas volumes processed at third-party facilities in the Gordondale area. The increase was partially offset by improved operating efficiencies achieved in the field.

Birchcliff is committed to reducing its per unit operating expense 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 third quarter of 2020. Birchcliff's operating cost structure in the Reporting Period 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 March 31,	
($000s)	**2021**	**2020**
Natural gas transportation	28,608	26,843
Liquids transportation	7,182	6,433
Fractionation	1,860	1,432
Other fees	34	34
Transportation expense	37,684	34,742
Transportation expense per boe	$5.58	$5.17
Marketing purchases(1)	2,047	3,916
Marketing revenue(1)	(2,458)	(5,206)
Marketing gain(1)	(411)	(1,290)
Marketing gain per boe	($0.06)	($0.17)
Transportation and other expense	**37,273**	**33,452**
Transportation and other expense per boe	**$5.52**	**$5.00**

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

On a per unit basis, transportation and other expense increased by 10% from the Comparable Prior Period. The increase was primarily due to additional AECO firm service transportation on the NGTL system and higher liquids production in the Pouce Coupe field that resulted in higher transportation costs during the Reporting Period.

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 March 31, 2021	Three months ended March 31, 2020
Pouce Coupe assets:		
Average production:		
Light oil *(bbls/d)*	24	43
Condensate *(bbls/d)*	3,819	3,341
NGLs *(bbls/d)*	2,096	1,154
Natural gas *(Mcf/d)*	247,062	253,940
Total *(boe/d)*	**47,116**	**46,861**
% of corporate production	63%	64%
Liquids-to-gas ratio *(bbls/MMcf)*	24.0	17.9
Netback and cost ($/boe):		
Petroleum and natural gas revenue(1)	26.03	17.49
Royalty expense	(1.31)	(0.66)
Operating expense	(2.48)	(2.31)
Transportation and other expense	(5.95)	(5.29)
Operating netback	**16.29**	**9.23**
Gordondale assets:		
Average production:		
Light oil *(bbls/d)*	3,330	3,911
Condensate *(bbls/d)*	1,648	1,184
NGLs *(bbls/d)*	6,638	6,808
Natural gas *(Mcf/d)*	97,987	88,891
Total *(boe/d)*	**27,946**	**26,718**
% of corporate production	37%	36%
Liquids-to-gas ratio *(bbls/MMcf)*	118.5	133.9
Netback and cost ($/boe):		
Petroleum and natural gas revenue(1)	29.91	20.78
Royalty expense	(2.42)	(1.46)
Operating expense	(4.35)	(4.60)
Transportation and other expense	(4.80)	(5.23)
Operating netback	**18.34**	**9.49**
Total Corporate:		
Average production:		
Light oil *(bbls/d)*	3,355	3,954
Condensate *(bbls/d)*	5,467	4,524
NGLs *(bbls/d)*	8,734	7,962
Natural gas *(Mcf/d)*	345,057	342,831
Total *(boe/d)*(2)	**75,065**	**73,580**
Liquids-to-gas ratio *(bbls/MMcf)*	50.9	48.0
Netback and cost ($/boe):		
Petroleum and natural gas revenue(1)	27.47	18.41
Royalty expense	(1.72)	(0.95)
Operating expense	(3.18)	(3.14)
Transportation and other expense	(5.52)	(5.00)
Operating netback	**17.05**	**9.32**

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

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

Pouce Coupe Montney/Doig Resource Play

Birchcliff's average production from its Pouce Coupe assets increased by 1% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the horizontal natural gas wells brought on production in Pouce Coupe since the Comparable Prior Period, including from the condensate-rich 14-well pad (14-19) and the 7-well pad (04-04) brought on production in July 2020 and March 2021, respectively, partially offset by natural production declines.

Birchcliff's liquids-to-gas ratio for the Pouce Coupe assets increased by 34% from the Comparable Prior Period. The increase was primarily due to: (i) specifically targeted condensate-rich natural gas wells in Pouce Coupe, including the 14-well pad (14-19) and the 7-well pad (04-04) brought on production in July 2020 and March 2021, respectively; (ii) increased NGLs recovery at Phase III of the Pouce Coupe Gas Plant beginning in the fourth quarter of 2020; and (iii) the operation of its Inlet Liquids-Handling Facility at Pouce Coupe Gas Plant beginning in the third quarter of 2020.

Birchcliff's operating netback for the Pouce Coupe assets increased by 76% from the Comparable Prior Period. The operating netback during the Reporting Period was positively impacted by a higher average realized sales price due to improved benchmark oil and natural gas commodity prices and increased weighting in higher-value liquids production. The operating netback for the Pouce Coupe assets was negatively impacted by: (i) higher royalty expense due to an increase in the average realized liquids and natural gas sales prices received for production in Pouce Coupe; (ii) higher operating expense mainly due to an increase in power and fuel prices, partially offset by increased field operating efficiencies that included improved liquids-handling capabilities; and (iii) higher transportation and other expense as a result of additional AECO firm service transportation on the NGTL system and higher liquids production in the Pouce Coupe field that resulted in higher transportation costs during the Reporting Period.

Gordondale Montney/Doig Resource Play

Birchcliff's average production from its Gordondale assets increased by 5% from the Comparable Prior Period. The increase was primarily due to horizontal light oil wells that were brought on production since the Comparable Prior Period, partially offset by natural production declines.

Birchcliff's liquids-to-gas ratio for the Gordondale assets decreased by 12% from the Comparable Prior Period. The decrease was primarily due to higher natural gas production rates on the incremental production from horizontal light oil wells that were brought on-stream in Gordondale since the Comparable Prior Period.

Birchcliff's operating netback for the Gordondale assets increased by 93% from the Comparable Prior Period. The operating netback during the Reporting Period was positively impacted by: (i) a higher average realized sales price due to improved benchmark oil and natural gas commodity prices; (ii) lower operating expense mainly due to higher average production, partially offset by an increase in power and fuel prices and higher processing costs associated with increased natural gas volumes delivered to third-party facilities in the Gordondale area; and (iii) lower transportation and other expense primarily due to higher production in the Gordondale area, partially offset by the cost of additional AECO firm service transportation on the NGTL system during the Reporting Period. The operating netback for the Gordondale assets was negatively impacted by higher royalty expense due to an increase in the average realized liquids and natural gas sales prices received for production in Gordondale during the Reporting Period.

Administrative Expense

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

	Three months ended March 31, 2021		2020	
	($000s)	*(%)*	*($000s)*	*(%)*
Cash:				
Salaries and benefits[1]	6,623	67	6,535	67
Other[2]	3,275	33	3,179	33
G&A expense, gross	9,898	100	9,714	100
Operating overhead recoveries	(32)	-	(33)	-
Capitalized overhead[3]	(3,627)	(37)	(3,638)	(37)
G&A expense, net	6,239	63	6,043	63
G&A expense, net per boe	$0.92		$0.90	
Non-cash:				
Other compensation	1,361	100	1,722	100
Capitalized compensation[3]	(757)	(56)	(977)	(57)
Other compensation, net	604	44	745	43
Other compensation, net per boe	$0.09		$0.11	
Administrative expense, net	**6,843**		**6,788**	
Administrative expense, net per boe	**$1.01**		**$1.01**	

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

(2) Includes costs such as rent, legal 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 G&A expense in the Reporting Period remained largely consistent with the Comparable Prior Period. Net other compensation expense decreased by 19% from the Comparable Prior Period primarily due to a decrease in stock-based compensation expense resulting from lower fair value stock options vesting during the Reporting Period.

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

	Three months ended March 31, 2021		2020	
	Number	**Price *($)*[1]**	**Number**	**Price *($)*[1]**
Outstanding, beginning	26,134,201	3.56	23,483,368	4.28
Granted[2]	29,000	3.20	35,500	1.92
Exercised	(102,330)	(2.49)	-	-
Forfeited	(21,568)	(1.87)	(57,567)	(3.18)
Expired	(2,267,566)	(3.42)	(2,299,300)	(6.56)
Outstanding, ending	**23,771,737**	**3.58**	**21,162,001**	**4.03**

(1) Calculated on a weighted average basis.

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

At March 31, 2021, there were also 2,939,732 performance warrants outstanding with an exercise price of $3.00 and an expiry date of January 31, 2025.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved 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 March 31,	
($000s)	**2021**	**2020**
Depletion and depreciation expense	50,445	51,608
Depletion and depreciation expense per boe	$7.47	$7.71

D&D expense on an aggregate basis decreased by 2% from the Comparable Prior Period primarily due to higher proved and probable reserves at March 31, 2021 as compared to March 31, 2020.

Finance Expense

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

	Three months ended March 31,	
($000s)	**2021**	**2020**
Cash:		
Interest expense[(1)]	8,172	5,988
Interest expense per boe[(1)]	$1.21	$0.89
Non-cash:		
Accretion[(2)]	711	843
Amortization of deferred financing fees	249	386
Other expenses	960	1,229
Other expenses per boe	$0.16	$0.19
Finance expense	**9,132**	**7,217**
Finance expense per boe	**$1.37**	**$1.08**

(1) At March 31, 2021, 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 Period increased by 36% from the Comparable Prior Period. The increase was primarily due to a higher average outstanding Syndicated Credit Facility balance as compared to the Comparable Prior Period and higher stamping fees applicable to the Syndicated Credit Facility, partially offset by lower average market interest rates on drawn loans.

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

	Three months ended March 31,	
	2021	**2020**
Working Capital Facility	5.5%	3.5%
Syndicated Credit Facility[(1)]	4.5%	4.0%

(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 $719 million in the Reporting Period as compared to $602 million in the Comparable Prior Period, calculated as the simple average of the month-end amounts.

Other Income

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

	Three months ended March 31,			
	2021		2020	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Other income	2,518	0.37	782	0.11

Birchcliff's other income in the Reporting Period included the sale of Emission Performance Credits ("**EPCs**") for $2.1 million that were generated for the 2019 emission reporting period under the 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 their established facility benchmarks in order to generate EPCs.

Other Gains

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

	Three months ended March 31,			
	2021		2020	
	($000s)	*($/boe)*	*($000s)*	*($/boe)*
Other gains	3,300	0.25	37	-

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 of $3.3 million during the Reporting Period.

Income Taxes

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

	Three months ended March 31,	
($000s)	2021	2020
Deferred tax expense (recovery) expense	6,882	(13,480)
Dividend tax expense on preferred shares	698	769
Income tax expense (recovery)	**7,580**	**(12,711)**
Income tax expense (recovery) per boe	**$1.12**	**($1.91)**

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 $2.2 billion at March 31, 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 March 31, 2021
Canadian oil and gas property expense	337,255
Canadian development expense	300,243
Canadian exploration expense	235,042
Undepreciated capital costs	291,026
Non-capital losses	968,796
SR&ED[(1)] & Investment tax credits	23,940
Financing costs and other	3,912
Estimated income tax pools	**2,160,214**

(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 March 31, 2021	2020
Land	451	777
Seismic	348	314
Workovers	3,453	3,525
Drilling and completions	74,329	74,262
Well equipment and facilities	17,259	53,483
F&D capital	95,840	132,361
Acquisitions	-	15
FD&A capital	95,840	132,376
Administrative assets	785	464
Total capital expenditures	**96,625**	**132,840**

During the Reporting Period, Birchcliff had F&D capital expenditures of $95.8 million which included approximately $57.5 million (60%) on the drilling and completion of Montney horizontal wells in Pouce Coupe and $16.8 million (18%) on the drilling and completion of Montney horizontal wells in Gordondale. During the Reporting Period, Birchcliff drilled a total of 19 (19.0 net) wells and brought 7 (7.0 net) wells on production.

The remaining capital during the Reporting Period 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:

($000s)	Three months ended March 31, 2021	2020
Adjusted funds flow	87,820	36,894
Changes in non-cash working capital from operations	(4,129)	14,208
Decommissioning expenditures	(1,083)	(551)
Issue of common shares	254	-
Repurchase of capital securities	(1,177)	-
Lease payments	(601)	(573)
Dividends paid	(3,076)	(8,903)
Net change in revolving term credit facilities	(29,885)	9,569
Changes in non-cash working capital from investing	48,502	82,197
Capital resources	**96,625**	**132,841**

The capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations. Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities, which the Corporation believes are sufficient to fund its working capital requirements, capital expenditure programs and dividend payments for the foreseeable future. At March 31, 2021, the maturity date of the Credit Facilities was May 11, 2022 and the borrowing base limit was $1.0 billion. The aggregate principal amount drawn under the Credit Facilities at March 31, 2021 was $706.9 million, leaving $293.1 million available to fund future obligations.

Subsequent to the end of the quarter, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Corporation's Credit Facilities. During this review, Birchcliff requested that the lenders agree to extend the maturity date of the Credit Facilities by two years and reduce the aggregate borrowing base limit to $850.0 million. Due to Birchcliff's significant anticipated adjusted funds flow in 2021 and its commitment to capital discipline and debt reduction, it does not anticipate requiring additional credit capacity, and accordingly, requested the borrowing base limit reduction. This reduction to the borrowing base limit will result in a corresponding decrease to its renewal and standby fees. Birchcliff is committed to capital discipline, reducing its costs, strengthening its balance sheet and reducing its total debt going forward.

Birchcliff continues to proactively look for strategic risk management and market diversification opportunities. Birchcliff's existing market diversification initiatives have increased its exposure to various natural gas sales trading hubs in North America. Birchcliff's natural gas diversification potentially reduces the overall volatility of the Corporation's revenue and adjusted funds flow from significant fluctuations at any given natural gas sales trading hub. 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 deficit increased to $75.7 million at March 31, 2021 from $30.6 million at December 31, 2020. The deficit at March 31, 2021 was primarily comprised of costs incurred for the drilling and completion of wells in Gordondale and Pouce Coupe.

At March 31, 2021, the major component of Birchcliff's current assets was revenue to be received from its commodity marketers in respect of March 2021 production (90%), which was subsequently received in April 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 March 31, 2021 primarily consisted of trade payables and accrued capital and operating expenses.

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

Bank Debt

Management of debt levels continues to be a priority for Birchcliff given the current volatility in the commodity price environment. Total debt, including the adjusted working capital deficit, was $777.4 million at March 31, 2021 compared to $762.0 million at December 31, 2020. Total debt increased from December 31, 2020 primarily due to adjusted funds flow being less than the aggregate of total capital expenditures and dividends paid in the Reporting Period. Birchcliff spent $95.8 million in F&D capital expenditures in the Reporting Period primarily on the drilling and completion of horizontal light oil and condensate-rich natural gas wells in Gordondale and Pouce Coupe.

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

As at, *($000s)*	**March 31, 2021**	**December 31, 2020**
Maximum borrowing base limit(1)*:*		
Revolving term credit facilities	1,000,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(702,717)	(732,603)
Outstanding letters of credit(2)	(4,185)	(4,185)
	(706,902)	(736,788)
Unused credit	**293,098**	**263,212**
% unused credit	**29%**	**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 March 31, 2021 was 17.7. The Credit Facilities do not contain any financial maintenance covenants.

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

Contractual Obligations and Commitments

The Corporation enters into various contractual obligations and commitments in the normal course of operations. The following table lists Birchcliff's estimated material contractual obligations and commitments at March 31, 2021:

($000s)	**2021**	**2022**	**2023-2025**	**Thereafter**
Accounts payable and accrued liabilities	147,745	-	-	-
Drawn revolving term credit facilities	-	702,717	-	-
Firm transportation and fractionation(1)	108,133	136,346	316,518	187,201
Natural gas processing(2)	14,633	17,155	51,512	120,179
Operating commitments(3)	1,497	1,996	5,989	4,159
Lease payments	2,380	3,174	7,974	6,061
Capital securities(4)	38,753	-	-	-
Estimated contractual obligations(5)	**313,141**	**861,388**	**381,993**	**317,600**

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

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

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

(4) Birchcliff had 1,550,129 Series C Preferred Shares outstanding at March 31, 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 Period.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at March 31, 2021 to be approximately $238.2 million and are estimated to be incurred as follows: 2021 - $2.2 million, 2022 – $2.2 million and $233.8 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

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

OUTSTANDING SHARE INFORMATION

At May 11, 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 since December 31, 2020:

(000s)	**Common Shares**
Balance at December 31, 2020	265,942,729
Exercise of options	102,330
Balance at March 31, 2021	266,045,059
Exercise of options	15,999
Balance at May 11, 2021	**266,061,058**

At May 11, 2021, the Corporation had the following securities outstanding: 266,061,058 common shares; 2,000,000 Series A Preferred Shares; 1,550,129 Series C Preferred Shares; 22,722,204 stock options to purchase an equivalent number of common shares; and 2,939,732 performance warrants to purchase an equivalent number of common shares.

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 47,051 Series C Preferred Shares in the Reporting Period. The Corporation elected to settle in cash at $25.00 per share for a total redemption value of $1.2 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 March 31,	
	2021	**2020**
Common shares:		
Dividend distribution *($000s)*	1,330	6,981
Per common share *($)*	0.0050	0.0263
Series A Preferred Shares:		
Dividend distribution *($000s)*	1,047	1,047
Per Series A Preferred Share *($)*	0.5234	0.5234
Series C Preferred Shares:		
Dividend distribution *($000s)*	699	875
Per Series C Preferred Share *($)*	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,	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Average light oil production *(bbls/d)*	3,355	3,566	4,405	5,744	3,954	4,435	4,882	4,853
Average condensate production *(bbls/d)*	5,467	6,658	7,266	4,825	4,524	4,906	5,744	5,505
Average NGLs production *(bbls/d)*	8,734	8,285	6,898	7,455	7,962	7,814	7,559	6,923
Average natural gas production *(Mcf/d)*	345,057	360,839	358,851	341,558	342,831	364,847	374,180	367,033
Average production *(boe/d)*	75,065	78,649	78,376	74,950	73,580	77,962	80,548	78,453
Average realized light oil sales price *($/bbl)*(1)	67.02	49.56	48.50	25.72	53.18	67.58	67.15	72.25
Average realized condensate sales price *($/bbl)*(1)	74.22	52.90	48.27	31.09	58.48	68.80	65.94	71.69
Average realized NGLs sales price *($/bbl)*(1)	24.69	16.16	14.05	12.05	12.02	16.62	9.75	11.13
Average realized natural gas sales price *($/Mcf)*(1)	3.52	2.93	2.48	2.22	2.29	2.81	1.71	1.95
Average realized sales price *($/boe)* (1)	27.47	21.87	19.80	15.27	18.41	22.97	17.62	19.59
P&NG revenue *($000s)*(1)	185,609	158,283	142,779	104,180	123,263	164,759	130,588	139,857
Operating expense *($/boe)*	3.18	3.03	2.73	2.89	3.14	3.06	2.75	3.17
F&D capital expenditures *($000s)*	95,840	41,291	30,842	83,473	132,361	56,800	40,192	67,937
Total capital expenditures *($000s)*	96,625	28,778	31,193	83,974	132,840	58,136	41,621	68,532
Cash flow from operating activities *($000s)*	82,608	71,431	52,977	13,221	50,551	85,557	48,908	97,857
Adjusted funds flow *($000s)*	87,820	66,509	59,377	21,746	36,894	80,941	62,958	73,957
Per common share – basic *($)*	0.33	0.25	0.22	0.08	0.14	0.30	0.24	0.28
Per common share – diluted *($)*	0.33	0.25	0.22	0.08	0.14	0.30	0.24	0.28
Free funds flow *($000s)*	(8,020)	25,218	28,535	(61,727)	(95,467)	24,141	22,766	6,020
Net income (loss) *($000s)*	23,213	41,454	(16,646)	(38,475)	(44,154)	(17,937)	(45,843)	(8,458)
Net income (loss) to common shareholders *($000s)*	22,166	40,407	(17,692)	(39,522)	(45,201)	(18,984)	(46,889)	(9,505)
Per common share – basic *($)*	0.08	0.15	(0.07)	(0.15)	(0.17)	(0.07)	(0.18)	(0.04)
Per common share – diluted *($)*	0.08	0.15	(0.07)	(0.15)	(0.17)	(0.07)	(0.18)	(0.04)
Total assets *($ million)*	2,941	2,902	2,912	2,929	2,871	2,817	2,822	2,840
Long-term bank debt *($000s)*	701,735	731,372	771,706	753,092	619,055	609,177	638,631	622,282
Total debt *($000s)*	777,385	761,951	784,414	807,573	739,631	632,582	644,407	654,709
Dividends on common shares *($000s)*	1,330	1,330	1,330	1,327	6,981	6,981	6,981	6,981
Dividends on Series A Preferred Shares *($000s)*	1,047	1,047	1,046	1,047	1,047	1,047	1,046	1,047
Dividends on Series C Preferred Shares *($000s)*	699	858	859	875	875	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)*	1,550	1,597	1,962	1,963	2,000	2,000	2,000	2,000
Common shares outstanding *(000s)*								
Basic	266,045	265,943	265,935	265,935	265,935	265,935	265,935	265,935
Diluted	292,757	295,017	290,009	290,014	290,037	292,358	287,407	287,381
Weighted average common shares outstanding *(000s)*								
Basic	265,989	265,940	265,935	265,935	265,935	265,935	265,935	265,933
Diluted	266,370	265,985	265,935	265,935	265,935	265,935	265,935	265,933

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

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.

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 Reporting Period 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 in benchmark oil 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. In addition, the amount of dividends paid and any redemptions of Series C Preferred Shares also impact the Corporation's debt in each quarter.

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 four most recently completed quarters were significantly lower than the preceding four quarters.

Since March 31, 2020, Birchcliff has received Notices of Redemptions for a total of 449,871 Series C Preferred Shares. As a result of the redemptions, the dividends paid on the Series C Preferred Shares over the three most recently completed quarters were lower compared to the preceding five quarters.

POTENTIAL TRANSACTIONS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting ("**ICFR**") that occurred during the period beginning on January 1, 2021 and ended on March 31, 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 interim condensed financial statements for the Reporting Period and the Comparable Prior Period is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 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 March 31, 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 MD&A and the AIF 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. Despite the approval of certain vaccines by regulatory bodies in Canada and elsewhere, the development and distribution of effective vaccines also continues to raise uncertainty. 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
MMcf/d	million cubic feet per day
MSW	price for mixed sweet crude oil at Edmonton, Alberta
NGLs	natural gas liquids consisting of ethane (C2), propane (C3) and butane (C4) and specifically excluding condensate
NGTL	NOVA Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
OPEC+	Organization of the Petroleum Exporting Countries ("**OPEC**"), with certain non-OPEC oil exporting countries
P&NG	petroleum and natural gas
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This MD&A uses 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" 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 March 31,	
($000s)	**2021**	**2020**
Cash flow from operating activities	82,608	50,551
Change in non-cash operating working capital	4,129	(14,208)
Decommissioning expenditures	1,083	551
Adjusted funds flow	**87,820**	**36,894**
F&D capital expenditures	(95,840)	(132,361)
Free funds flow	**(8,020)**	**(95,467)**

"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 and 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 March 31, 2021		2020	
	($000s)	($/boe)	($000s)	($/boe)
Petroleum and natural gas revenue	185,609	27.47	123,263	18.41
Royalty expense	(11,627)	(1.72)	(6,361)	(0.95)
Operating expense	(21,498)	(3.18)	(21,047)	(3.14)
Transportation and other expense	(37,273)	(5.52)	(33,452)	(5.00)
Operating netback	**115,211**	**17.05**	**62,403**	**9.32**
G&A, net	(6,239)	(0.92)	(6,043)	(0.90)
Interest expense	(8,172)	(1.21)	(5,988)	(0.89)
Realized loss on financial instruments	(15,498)	(2.29)	(14,260)	(2.13)
Other income	2,518	0.37	782	0.11
Adjusted funds flow netback	**87,820**	**13.00**	**36,894**	**5.51**

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" 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 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:

As at, *($000s)*	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Working capital deficit	161,064	93,988	207,789
Financial instrument – current liability	(46,661)	(23,479)	(37,290)
Capital securities – current liability	(38,753)	(39,930)	(49,923)
Adjusted working capital deficit	**75,650**	**30,579**	**120,576**

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

As at, *($000s)*	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Revolving term credit facilities	701,735	731,372	619,055
Adjusted working capital deficit	75,650	30,579	120,576
Total debt	**777,385**	**761,951**	**739,631**

ADVISORIES

Unaudited Information

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

Currency

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

MMBtu Pricing Conversions

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

Boe and Mcfe Conversions

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

Oil and Gas Metrics

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

Capital Expenditures

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

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this MD&A relate to future events or Birchcliff's future plans, operations, 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 Birchcliff is committed to reducing its per unit operating expense by executing on various field optimization and cost-saving initiatives in Pouce Coupe and Gordondale;
- the information set forth under the heading *"Current Operating Environment and COVID-19", "Risk Factors"* and elsewhere in this MD&A as it relates to the expected impacts of the COVID-19 pandemic, including: that economic conditions and the outlook for crude oil prices remain somewhat uncertain due to the impact of recent COVID-19 variants of concern and the timing of the roll-out of vaccines, which have the potential to delay the recovery of

global economic conditions; and that the COVID-19 pandemic 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;

- Birchcliff's outlook for commodity prices;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this MD&A as it relates to Birchcliff's 2021 guidance, including: that Birchcliff now expects to generate approximately $400 million of adjusted funds flow on annual average production of 79,000 to 81,000 boe/d; that the Corporation is now targeting $170 million to $190 million of free funds flow in 2021, which will be prioritized towards debt reduction, with total debt at year end now anticipated to be $600 million to $620 million; 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 and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of adjusted funds flow;
- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; that Birchcliff's capital resources primarily consist of adjusted funds flow and available Credit Facilities, which the Corporation believes are sufficient to fund its working capital requirements, capital expenditure programs and dividend payments for the foreseeable future; that due to Birchcliff's significant anticipated adjusted funds flow in 2021 and its commitment to capital discipline and debt reduction, it does not anticipate requiring additional credit capacity; that Birchcliff is committed to capital discipline, reducing its costs, strengthening its balance sheet and reducing its total debt going forward; that Birchcliff continues to proactively look for strategic risk management and market diversification opportunities; that Birchcliff's natural gas diversification potentially reduces the overall volatility of the Corporation's revenue and adjusted funds flow from significant fluctuations at any given natural gas sales trading hub; the Corporation's expectation that counterparties will be able to meet their financial obligations; and that management of debt levels continues to be a priority for Birchcliff;
- 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, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, marketing, 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 and resource volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the ability to obtain any necessary regulatory or other approvals in a timely manner; the satisfaction by third parties of their obligations to Birchcliff; the ability of Birchcliff to secure adequate processing and transportation for its products; Birchcliff's ability to successfully market natural gas and liquids; the availability of hedges on terms acceptable to Birchcliff; and Birchcliff's natural gas market exposure. In addition to the foregoing assumptions, Birchcliff has made the following assumptions with respect to certain forward-looking statements contained in this MD&A:

- Birchcliff's 2021 guidance (as revised May 12, 2021) assumes the following commodity prices and exchange rate: an average WTI price of US$62.00/bbl; an average WTI-MSW differential of CDN$5.70/bbl; an average AECO 5A price of CDN$2.80/GJ; an average Dawn price of US$2.85/MMBtu; an average NYMEX HH price of US$2.90/MMBtu; and an exchange rate (CDN$ to US$1) of 1.24.
- With respect to estimates of 2021 capital expenditures and Birchcliff's spending plans for 2021, such estimates and plans assume that the 2021 Capital Program will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's estimates of adjusted funds flow and free funds flow for 2021, such estimates assume that: the 2021 Capital Program will be carried out as currently contemplated and the level of capital spending for 2021 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, such guidance assumes that: the 2021 Capital Program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19) and epidemics and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; 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 affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; 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 activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's Board of Directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

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 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, including those that pertain to the 2021 Capital Program 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,	**March 31, 2021**	**December 31, 2020**
ASSETS		
Current assets:		
Cash	60	60
Accounts receivable	69,586	64,691
Prepaid expenses and deposits	2,449	2,177
	72,095	66,928
Non-current assets:		
Investment in securities *(Note 13)*	5,105	1,805
Petroleum and natural gas properties and equipment *(Note 3)*	2,863,431	2,833,310
	2,868,536	2,835,115
Total assets	**2,940,631**	**2,902,043**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	147,745	97,507
Financial instruments *(Note 12)*	46,661	23,479
Capital securities *(Note 6)*	38,753	39,930
	233,159	160,916
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	701,735	731,372
Decommissioning obligations *(Note 5)*	128,675	146,232
Deferred income taxes	72,074	65,192
Other liabilities *(Note 9)*	26,113	26,207
Financial instruments *(Note 12)*	128,994	144,557
	1,057,591	1,113,560
Total liabilities	**1,290,750**	**1,274,476**
SHAREHOLDERS' EQUITY		
Share capital *(Note 6)*		
Common shares	1,478,620	1,478,294
Preferred shares *(perpetual)*	41,434	41,434
Contributed surplus	91,020	89,868
Retained earnings	38,807	17,971
	1,649,881	1,627,567
Total shareholders' equity and liabilities	**2,940,631**	**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,	March 31, 2021	March 31, 2020
REVENUE		
Petroleum and natural gas revenue *(Note 8)*	185,609	123,263
Marketing revenue *(Note 8)*	2,458	5,206
Royalties	(11,627)	(6,361)
Realized loss on financial instruments *(Note 12)*	(15,498)	(14,260)
Unrealized loss on financial instruments *(Note 12)*	(7,619)	(39,339)
Other income	2,518	782
	155,841	69,291
EXPENSES		
Operating	21,498	21,047
Transportation	37,684	34,742
Marketing purchases *(Note 8)*	2,047	3,916
Administrative, net	6,843	6,788
Depletion and depreciation *(Note 3)*	50,445	51,608
Finance	9,132	7,217
Dividends on capital securities *(Note 6)*	699	875
Other gains	(3,300)	(37)
	125,048	126,156
Net income (loss) before taxes	30,793	(56,865)
Income tax recovery (expense)	(7,580)	12,711
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**23,213**	**(44,154)**
Net income (loss) per common share *(Note 7)*		
Basic	$0.08	$(0.17)
Diluted	$0.08	$(0.17)

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)*	-	-	-	(6,981)	(6,981)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(1,047)	(1,047)
Stock-based compensation *(Note 10)*	-	-	1,589	-	1,589
Net loss and comprehensive loss	-	-	-	(44,154)	(44,154)
As at March 31, 2020	**1,478,356**	**41,434**	**86,473**	**38,765**	**1,645,028**
As at December 31, 2020	1,478,294	41,434	89,868	17,971	1,627,567
Dividends on common shares *(Note 6)*	-	-	-	(1,330)	(1,330)
Dividends on perpetual preferred shares *(Note 6)*	-	-	-	(1,047)	(1,047)
Exercise of stock options *(Note 10)*	326	-	(72)	-	254
Stock-based compensation *(Note 10)*	-	-	1,224	-	1,224
Net income and comprehensive income	-	-	-	23,213	23,213
As at March 31, 2021	**1,478,620**	**41,434**	**91,020**	**38,807**	**1,649,881**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

Three months ended,	**March 31, 2021**	**March 31, 2020**
Cash provided by (used in):		
OPERATING		
Net income (loss)	23,213	(44,154)
Adjustments for items not affecting operating cash:		
Unrealized loss on financial instruments *(Note 12)*	7,619	39,339
Depletion and depreciation *(Note 3)*	50,445	51,608
Other compensation	604	745
Finance	9,132	7,217
Other gains	(3,300)	(37)
Income tax (recovery) expense	7,580	(12,711)
Interest paid	(8,172)	(5,988)
Dividends on capital securities *(Note 6)*	699	875
Decommissioning expenditures *(Note 5)*	(1,083)	(551)
Changes in non-cash working capital	(4,129)	14,208
	82,608	50,551
FINANCING		
Issue of common shares *(Note 6)*	254	-
Repurchase of capital securities *(Note 6)*	(1,177)	-
Lease payments *(Note 9)*	(601)	(573)
Dividends on common shares *(Note 6)*	(1,330)	(6,981)
Dividends on perpetual preferred shares *(Note 6)*	(1,047)	(1,047)
Dividends on capital securities *(Note 6)*	(699)	(875)
Net change in revolving term credit facilities *(Note 4)*	(29,885)	9,569
	(34,485)	93
INVESTING		
Exploration and development of petroleum and natural gas assets *(Note 3)*	(96,625)	(132,840)
Changes in non-cash working capital	48,502	82,197
	(48,123)	(50,643)
Net change in cash	-	1
Cash, beginning of period	60	70
CASH, END OF PERIOD	**60**	**71**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 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 May 12, 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 months ended March 31, 2021, including the 2020 comparative period. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 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 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 the three months ended March 31, 2021, the global economy showed signs of strong recovery from the impacts of the novel coronavirus ("**COVID-19**") pandemic. The outlook for crude oil demand has improved due to the easing of restrictions combined with the distribution of vaccines in developed countries. Global spot prices for crude oil have recovered to pre-pandemic levels as optimism for demand recovery improves and OPEC+ continues to adhere to production curtailments that limit supply. While Birchcliff has benefited from these recent improvements in crude oil prices there is a degree of uncertainty related to the COVID-19 pandemic that has been considered in the Corporation's estimates for the period ended March 31, 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	-	80,044	147	375	80,566
As at March 31, 2021(2)	354	4,227,770	20,078	22,305	4,270,507
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)	-	(49,444)	(509)	(492)	(50,445)
As at March 31, 2021	-	(1,384,566)	(4,455)	(18,055)	(1,407,076)
Net book value:					
As at December 31, 2020	354	2,812,604	15,985	4,367	**2,833,310**
As at March 31, 2021	354	2,843,204	15,623	4,250	**2,863,431**

(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 $4.4 billion at March 31, 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 March 31, 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)*	March 31, 2021	December 31, 2020
Syndicated credit facility	695,132	727,645
Working capital facility	7,585	4,958
Drawn revolving term credit facilities	702,717	732,603
Unamortized deferred financing fees	(982)	(1,231)
Revolving term credit facilities	**701,735**	**731,372**

At March 31, 2021, the aggregate principal amount of the Corporation's Credit Facilities was $1.0 billion with maturity dates of May 11, 2022 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $900.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million.

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 on the Corporation.

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $238.2 million at March 31, 2021. A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**March 31, 2021**	**December 31, 2020**
Balance, beginning	146,232	128,128
Obligations incurred	2,829	3,624
Obligations acquired	-	258
Obligations divested[1]	-	(5,867)
Changes in estimated future cash flows[2]	(19,792)	20,512
Accretion	489	1,900
Decommissioning expenditures	(1,083)	(2,323)
Balance, ending[3]	**128,675**	**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 2.01% and an inflation rate of 1.73% to calculate the present value of the decommissioning obligation at March 31, 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)*	**March 31, 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)	-	(465)
Exercise of stock options	102	8
Outstanding at end of period(1)	**266,045**	**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 for an aggregate value of approximately $610,000, before fees. All such common shares were cancelled. There were no common share repurchases under the 2021 NCIB during the period ended March 31, 2021.

Capital Securities

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

As at, *(000s)*	**March 31, 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)	(47)	(1,177)	(366)	(9,141)
Amortization	-	-	-	155
Outstanding at end of period(3)	**1,550**	**38,753**	**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 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,	**March 31, 2021**	**March 31, 2020**
Common shares:		
Dividend distribution *($000s)*	1,330	6,981
Per common share *($)*	0.0050	0.0263
Series A Preferred Shares:		
Dividend distribution *($000s)*	1,047	1,047
Per Series A Preferred Share *($)*	0.5234	0.5234
Series C Preferred Shares:		
Dividend distribution *($000s)*	699	875
Per Series C Preferred Share *($)*	0.4375	0.4375

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

7. EARNINGS (LOSS) PER SHARE

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

Three months ended, *($000s, except for per share information)*	**March 31, 2021**	**March 31, 2020**
Net income (loss)	23,213	(44,154)
Dividends on Series A Preferred Shares	(1,047)	(1,047)
Net income (loss) to common shareholders	22,166	(45,201)
Weighted average common shares (000s):		
Weighted average basic common shares outstanding	265,989	265,935
Dilutive securities	381	-
Weighted average diluted common shares outstanding(1)	266,370	265,935
Net income (loss) per common share:		
Basic	**$0.08**	**$(0.17)**
Diluted	**$0.08**	**$(0.17)**

(1) The weighted average diluted common shares outstanding excludes 13,461,303 common shares that were anti-dilutive for the three months ended March 31, 2021. As the Corporation reported a loss for the three months ended March 31, 2020, the basic and diluted weighted average common shares outstanding are the same for the periods and all dilutive securities were considered anti-dilutive.

8. REVENUE

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

Three months ended, *($000s)*	**March 31, 2021**	**March 31, 2020**
Light oil sales	20,238	19,138
Condensate(1)	36,516	24,080
NGLs sales(2)	19,407	8,710
Natural gas sales	109,441	71,332
P&NG sales(3)(4)	185,602	123,260
Royalty income	7	3
P&NG revenue	185,609	123,263
Marketing revenue(5)	2,458	5,206
Revenue from contracts with customers	**188,067**	**128,469**

(1) Includes pentanes plus.

(2) Includes ethane, propane and butane.

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

(4) Included in accounts receivable at March 31, 2021 was $64.9 million (March 31, 2020 - $32.8 million) in P&NG sales to be received from its marketers in respect of March 2021 production, which was subsequently received in April 2021.

(5) Marketing revenue represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. For the three months ended March 31, 2021, the Corporation had marketing purchases from third parties of $2.0 million (March 31, 2020 - $3.9 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligation

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

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

As at, *($000s)*	**March 31, 2021**	**December 31, 2020**
Balance, beginning	9,177	8,494
Obligations incurred(1)	137	539
Accretion	40	144
Balance, ending(2)	**9,354**	**9,177**
Current portion	-	-
Long-term portion	9,354	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 March 31, 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 $19.6 million at March 31, 2021 (December 31, 2020 – $20.0 million). A reconciliation of the discounted lease obligation is set forth below:

As at, *($000s)*	**March 31, 2021**	**December 31, 2020**
Balance, beginning	17,030	18,552
Obligations incurred	147	-
Lease payments	(601)	(2,292)
Accretion	183	770
Balance, ending(1)	**16,759**	**17,030**
Current portion	1,777	1,596
Long-term portion	14,982	15,434

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

10. SHARE-BASED PAYMENT

Stock Option

At March 31, 2021, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,604,506 (March 31, 2020 – 26,593,523) common shares. At March 31, 2021, there remained available for issuance options in respect of 2,832,769 (March 31, 2020 – 5,431,522) common shares. For the stock options exercised during 2021, the weighted average common share trading price on the TSX was $2.70 (March 31, 2020 – $1.38) per common share.

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

	Three months ended March 31, 2021	
	Number	**Price** *($)*(1)
Outstanding, beginning	26,134,201	3.56
Granted(2)	29,000	3.20
Exercised	(102,330)	(2.49)
Forfeited	(21,568)	(1.87)
Expired	(2,267,566)	(3.42)
Outstanding, ending	**23,771,737**	**3.58**

(1) Calculated on a weighted average basis.

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

The weighted average fair value per option granted during the three months ended March 31, 2021 was $0.92 (March 31, 2020 – $0.52). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2021, the Corporation applied a weighted average estimated forfeiture rate of 9.5% (March 31, 2020 – 9.2%).

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

Three months ended,	March 31, 2021	March 31, 2020
Risk-free interest rate	1.4%	1.4%
Expected life *(years)*	4.1	4.1
Expected volatility	53.9%	50.2%
Dividend yield	2.9%	5.6%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 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	10,489,636	4.19	2.05	1,683,620	3.67	2.32
3.01	6.00	9,146,101	2.41	3.41	7,458,384	2.31	3.37
6.01	9.43	4,136,000	0.86	7.81	4,136,000	0.86	7.81
		23,771,737	**2.93**	**3.57**	**13,278,004**	**2.03**	**4.62**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. There are 2,939,732 performance warrants outstanding and exercisable at March 31, 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 months ended March 31, 2021.

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

As at, *($000s)*	March 31, 2021	December 31, 2020
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	1,000,000	1,000,000
Principal amount utilized:		
Drawn revolving term credit facilities	(702,717)	(732,603)
Outstanding letters of credit[(2)]	(4,185)	(4,185)
	(706,902)	(736,788)
Unused credit	**293,098**	**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)*	**March 31, 2021**	**December 31, 2020**	**% Change**
Shareholders' equity[(1)]	1,649,881	1,627,567	
Capital securities	38,753	39,930	
Shareholders' equity & capital securities	1,688,634	1,667,497	1%
Shareholders' equity & capital securities as a % of total capital[(2)]	68%	69%	
Working capital deficit[(3)]	75,650	30,579	
Drawn revolving term credit facilities	702,717	732,603	
Drawn debt	778,367	763,182	2%
Drawn debt as a % of total capital	32%	31%	
Total capital	**2,467,001**	**2,430,679**	**1%**

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

(2) Of the 68%, approximately 94% relates to common capital stock and 6% 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, *($000s)*	**March 31, 2021**	**March 31, 2020**
Realized loss on financial instruments	15,498	14,260
Unrealized loss on financial instruments	7,619	39,339

Commodity Price Risk

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

Financial Derivative Contracts

At March 31, 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 March 31, 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	Apr. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	24,332
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	8,386
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	25,418
Natural gas	AECO 7A basis swap(2)	15,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	13,327
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	4,569
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	4,562
Natural gas	AECO 7A basis swap(2)	12,500 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	11,915
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	9,712
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	8,107
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	5,481
Natural gas	AECO 7A basis swap(2)	10,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	10,973
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Apr. 1, 2021 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	5,663
Natural gas	AECO 7A basis swap(2)	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	11,808
Natural gas	AECO 7A basis swap(2)	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	12,499
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	1,483
Natural gas	AECO 7A basis swap(2)	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	3,109
Natural gas	AECO 7A basis swap(2)	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	722
				Fair value	**162,066**

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

(2) Birchcliff sold AECO basis swap.

At March 31, 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 three months ended March 31, 2021 would have changed by approximately $24.6 million.

There were no financial derivative contracts entered into subsequent to March 31, 2021.

Physical Delivery Contracts

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

At March 31, 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	Apr. 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 March 31, 2021.

Interest Rate Risk

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

At March 31, 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)	Apr. 1, 2021 – Mar. 1, 2024	350	2.215	**13,589**

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

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

At March 31, 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 three months ended March 31, 2021 would have changed by approximately $0.8 million.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its petroleum and natural gas sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended March 31, 2021.

13. INVESTMENT IN SECURITIES

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 March 31, 2021, the Corporation determined the Securities had a fair value of $5.1 million (December 31, 2020 - $1.8 million). Birchcliff recorded a gain on investment of $3.3 million during the three months ended March 31, 2021 (March 31, 2020 - $Nil).

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
CO_2	carbon dioxide
condensate	pentanes plus (C5+)
ESG	environmental, social and governance
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies which are currently IFRS
GHG	greenhouse gas
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
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
MMcf/d	million cubic feet per day
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 ("**OPEC**"), with certain non-OPEC oil exporting countries
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP MEASURES

This report 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" and "total debt". These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Management believes that these non-GAAP measures assist management and investors in assessing Birchcliff's profitability, efficiency, liquidity and overall performance.

"Adjusted funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital and "adjusted funds flow per basic common share" denotes adjusted funds flow divided by the basic weighted average number of common shares outstanding for the period. "Free funds flow" denotes adjusted funds flow less F&D capital expenditures. "Transportation and other expense" denotes transportation expense plus marketing purchases minus marketing revenue on a per boe basis. "Operating netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense and less transportation and other expense. "Adjusted funds flow netback" denotes petroleum and natural gas revenue less royalty expense, less operating expense, less transportation and other expense, less net G&A expense, less interest expense and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources. "Total cash costs" denotes royalty, operating, transportation and other, G&A and interest expenses on a per unit basis. "Total debt" is calculated as the amount outstanding under the Credit Facilities plus adjusted working capital deficit (which is calculated as current assets minus current liabilities excluding the effects of any current portion of financial instruments and capital securities).

For additional information regarding these non-GAAP measures, including reconciliations to the most directly comparable GAAP measures where applicable, see *"Non-GAAP Measures"* in management's discussion and analysis (the "**MD&A**") for the three months ended March 31, 2021.

ADVISORIES

Unaudited Information

All financial and operational information contained in this report for the three months ended March 31, 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 report: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"); (ii) unless otherwise indicated, references to "liquids" mean "light crude oil and medium crude oil" and "natural gas liquids" (including condensate) as such terms are defined in NI 51-101; and (iii) references to "natural gas" mean "shale gas", which also includes an immaterial amount of "conventional natural gas", as such terms are defined in NI 51-101. In addition, NI 51-101 includes condensate within the product type of natural gas liquids. Birchcliff has disclosed condensate separately from other natural gas liquids as the price of condensate as compared to other natural gas liquids is currently significantly higher and Birchcliff believes presenting the two commodities separately provides a more accurate description of its operations and results therefrom.

Oil and Gas Metrics

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

Initial Production Rates

Any references in this report to initial production rates or other short-term production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not indicative of the long-term performance or the ultimate recovery of such wells. In addition, such rates may also include recovered "load oil" or "load water" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place undue reliance on such rates in calculating the aggregate production for Birchcliff. Such rates are based on field estimates and may be based on limited data available at this time. With respect to the production rates for the Corporation's 7-well 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 7-well pad and then divided by 7 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 7 wells were stabilized between 6.1 and 14.1 MPa for IP 30 production rates and between 3.5 to 4.4 MPa for IP 60 production rates. Approximate casing pressures for the 7 wells were stabilized between 3.1 and 5.0 MPa for IP 30 production rates and between 6.8 to 14.8 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 report to: (i) "F&D capital" denotes capital for land, seismic, workovers, drilling and completions and well equipment and facilities; and (ii) "total capital expenditures" denotes F&D capital plus acquisitions, less any dispositions, plus administrative assets.

Forward-Looking Statements

Certain statements contained in this report constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this report relate to future events or Birchcliff's future plans, operations, 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 report contains forward-looking statements relating to the following:

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including: that Birchcliff's anticipated free funds flow of $170 million to $190 million puts it in an excellent position to significantly reduce its total debt during the second half of 2021; that due to Birchcliff's significant anticipated adjusted funds flow in 2021 and its commitment to capital discipline and debt reduction, it does not anticipate requiring additional credit capacity;

that Birchcliff is committed to capital discipline, reducing its interest costs, strengthening its balance sheet and reducing its total debt going forward; and that Birchcliff is committed to reducing its per unit operating expense by executing on various field optimization and cost-saving initiatives in Pouce Coupe and Gordondale;

- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this report as it relates to Birchcliff's 2021 guidance, including: that Birchcliff now expects to generate approximately $400 million of adjusted funds flow on annual average production of 79,000 to 81,000 boe/d; that the Corporation is now targeting $170 million to $190 million of free funds flow in 2021, which will be prioritized towards debt reduction, with total debt at year end now anticipated to be $600 million to $620 million; 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 and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's estimate of adjusted funds flow;
- Birchcliff's outlook for commodity prices;
- the information set forth under the heading *"Operational Update"* and elsewhere in this report 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; statements regarding the number and types of wells expected to be drilled and brought on production and the timing thereof; the types of product types targeted; that the results from the 04-04 pad provide Birchcliff with significantly more potential high-rate natural gas and condensate drilling opportunities; that several of the wells from the 04-04 pad are capable of being held at stabilized rates for an extended duration, which will allow for strong stable production profiles and less backout of Birchcliff's existing area production; that Birchcliff expects to continue to drive drilling and completion costs down through scale and repeatability on larger pads; that it is expected that the 14-06 pad and the 14-28 pad will be brought on production in the second and third quarters of 2021, respectively; that the Inlet Liquids-Handling facility allows the Corporation to process and sell the condensate from its new wells in Pouce Coupe to achieve a premium price; that the 14-19 pad will pay out approximately 1.3 years after coming on-stream; and that the wells brought on production in Gordondale in 2021 are expected to keep the AltaGas Facility full during the year;
- the information set forth under the heading *"Environmental, Social and Governance"*, including: that continuing Birchcliff's industry-leading ESG performance continues to be a top priority for Birchcliff; that Birchcliff intends to release its ESG report for the year ended December 31, 2020 in Q3 2021; that the acid gas capture and sequestration at the Pouce Coupe Gas Plant is a significant competitive advantage for Birchcliff as the price of carbon increases; statements regarding the Corporation's emissions reduction initiatives and reducing its carbon footprint (including: that Birchcliff expects to have its initiative to remove all remaining methane venting equipment from its operations completed by 2023; and that the Corporation anticipates that its venting sources and fugitive emissions will be reduced by 50% before 2023); that NGIF Industry Grants anticipates that the technologies supported by its past grants will result in an estimated 6 megatonne reduction in emissions by 2030; and that NGIF Cleantech Ventures investments will include solutions that lead to emissions reductions and other environmental benefits in existing natural gas production, transmission, distribution, carbon capture utilization and storage, and end-use applications, as well as projects that will lead to the expanded production of emerging fuels like renewable natural gas and hydrogen; 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.

In addition, forward-looking statements in this report include the forward-looking statements identified in the MD&A under the heading *"Advisories – Forward-Looking Statements".*

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

- Birchcliff's 2021 guidance (as revised May 12, 2021) assumes the following commodity prices and exchange rate: an average WTI price of US$62.00/bbl; an average WTI-MSW differential of CDN$5.70/bbl; an average AECO 5A price of CDN$2.80/GJ; an average Dawn price of US$2.85/MMBtu; an average NYMEX HH price of US$2.90/MMBtu; and an exchange rate (CDN$ to US$1) of 1.24.
- With respect to estimates of 2021 capital expenditures and Birchcliff's spending plans for 2021, such estimates and plans assume that the 2021 Capital Program will be carried out as currently contemplated. Birchcliff makes acquisitions and dispositions in the ordinary course of business. Any acquisitions and dispositions completed could have an impact on Birchcliff's capital expenditures, production, adjusted funds flow, free funds flow, costs and total debt, which impact could be material. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
- With respect to Birchcliff's estimates of adjusted funds flow and free funds flow for 2021, such estimates assume that: the 2021 Capital Program will be carried out as currently contemplated and the level of capital spending for 2021 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, such guidance assumes that: the 2021 Capital Program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations. Birchcliff's production guidance may be affected by acquisition and disposition activity.
- With respect to statements regarding future wells to be drilled and brought on production, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.
- With respect to 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 currency exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; 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 affecting Birchcliff or other parties whose operations or assets directly or indirectly affect Birchcliff; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to efficiently and effectively operate its assets and achieve expected future results; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures, including delays in the completion of gas plants and other facilities; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry and other actions by government authorities; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines, some of which the Corporation does not control; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; 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 activities and the risk that hedges on terms acceptable to Birchcliff may not be available; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's board of directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels, including transportation and hydraulic fracturing involving fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; the accuracy of the Corporation's accounting estimates and judgments; and potential requirements under applicable accounting standards for the impairment or reversal of estimated recoverable amounts of the Corporation's assets from time to time.

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 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, including those that pertain to the 2021 Capital Program, 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 report 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 report. Unless required by applicable laws, Birchcliff does not undertake any obligation to publicly update or revise any FOFI statements, whether as a result of new information, future events or otherwise.

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

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

CORPORATE INFORMATION

EXECUTIVE OFFICERS

A. Jeffery Tonken
President & Chief Executive Officer

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

Chris A. Carlsen
Vice-President, Engineering

Bruno P. Geremia
Vice-President & Chief Financial Officer

David M. Humphreys
Vice-President, Operations

DIRECTORS

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

Dennis A. Dawson
Lead Independent Director
Calgary, Alberta

Debra A. Gerlach
Independent Director
Calgary, Alberta

Stacey E. McDonald
Independent Director
Calgary, Alberta

James W. Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Robyn Bourgeois
General Counsel & Corporate Secretary

Jesse Doenz
Controller & Investor Relations Manager

George Fukushima
Manager of Engineering

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of IT

Tyler Murray
Mineral Land Manager

Bruce Palmer
Manager of Geology

Brian Ritchie
Asset Manager – Gordondale

Michelle Rodgerson
Manager of Human Resources & Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling & Completions Manager

Vic Sandhawalia
Manager of Finance

Ryan Sloan
Health, Safety & Environment Manager

Duane Thompson
Production Manager

Hue Tran
Business Development Manager

Theo van der Werken
Asset Manager – Pouce Coupe

BANKERS

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

AUDITORS

KPMG LLP, Chartered Professional Accountants
Calgary, Alberta

RESERVES EVALUATOR

Deloitte LLP
Calgary, Alberta

HEAD OFFICE

Suite 1000, 600 – 3rd Avenue S.W.
Calgary, Alberta T2P 0G5
Phone: 403-261-6401
Fax: 403-261-6424

SPIRIT RIVER OFFICE

5604 – 49th Avenue
Spirit River, Alberta T0H 3G0
Phone: 780-864-4624
Fax: 780-864-4628

Email: info@birchcliffenergy.com

TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta and Toronto, Ontario

TSX: BIR, BIR.PR.A, BIR.PR.C

WWW.BIRCHCLIFFENERGY.COM