BIRCHCLIFF ENERGY

QUARTERLY REPORT | Q1 2023

BIRCHCLIFF ENERGY LTD. ANNOUNCES Q1 2023 RESULTS, DECLARATION OF Q2 2023 DIVIDEND OF $0.20 PER COMMON SHARE AND DISCLOSES ELMWORTH LAND POSITION

Calgary, Alberta (May 10, 2023) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q1 2023 financial and operational results and that its board of directors (the "**Board**") has declared a quarterly cash dividend of $0.20 per common share for the quarter ending June 30, 2023. Birchcliff is also pleased to disclose the details of its land position on the Montney/Doig Resource Play in Elmworth, Alberta.

"In Q1 2023, we generated adjusted funds flow(1) of $88.7 million, with average production of 74,592 boe/d. In addition, we returned an aggregate of $53.4 million to shareholders in Q1 2023 through our base common share dividend," commented Jeff Tonken, Chief Executive Officer of Birchcliff. "We are also pleased to disclose our large Montney land position in the Elmworth area of Alberta, which consists of 153 sections of contiguous 100% working interest land located 25 kilometres to the south of our producing properties in Pouce Coupe and Gordondale. This significant land base positions Birchcliff to continue to drive long-term shareholder value, providing us with a large potential future development area that can supply clean natural gas for many years to come."

Q1 2023 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved quarterly average production of 74,592 boe/d, a 2% decrease from Q1 2022, notwithstanding an unplanned outage on Pembina Pipeline Corporation's Northern Pipeline system that significantly impacted the Corporation's NGLs sales volumes in Q1 2023.
- Generated quarterly adjusted funds flow of $88.7 million, or $0.33 per basic common share(2), both of which decreased by 52% from Q1 2022. Cash flow from operating activities was $111.3 million, a 28% decrease from Q1 2022.
- Reported a quarterly net loss to common shareholders of $42.5 million, or $0.16 per basic common share, as compared to net income to common shareholders of $125.8 million and $0.47 per basic common share in Q1 2022.
- Achieved an operating netback(2) of $17.45/boe and adjusted funds flow per boe(2) of $13.22, a 39% and 51% decrease, respectively, from Q1 2022.
- Realized an operating expense(3) of $3.95/boe, a 13% increase from Q1 2022.
- Total debt(4) at March 31, 2023 was $217.9 million, a 47% decrease from March 31, 2022.
- F&D capital expenditures were $115.0 million in Q1 2023.
- Returned $53.4 million to common shareholders in Q1 2023 through dividends as compared to $2.7 million in Q1 2022.

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2023 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR at www.sedar.com.

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

DECLARATION OF Q2 2023 QUARTERLY DIVIDEND AND SHAREHOLDER RETURNS

- As part of its commitment to delivering significant shareholder returns, the Board has declared a quarterly cash dividend of $0.20 per common share for the quarter ending June 30, 2023. The dividend will be payable on June 30, 2023 to shareholders of record at the close of business on June 15, 2023. The ex-dividend date is June 14, 2023. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).
- This is the third consecutive quarter in which Birchcliff's Board has declared a cash dividend of $0.20 per common share.
- The Board previously approved an annual base dividend of $0.80 per common share for 2023, which is expected to be declared and paid quarterly at the rate of $0.20 per common share, at the discretion of the Board.
- Subsequent to Q1 2023, Birchcliff purchased and cancelled an aggregate of 1,265,268 common shares pursuant to its normal course issuer bid at an average price of $8.10 per common share for an aggregate cost of $10.2 million, before fees.

ELMWORTH – UPDATED LAND POSITION

- Over the last number of years, Birchcliff has strategically built a large, contiguous 100% working interest Montney land position in the Elmworth area of Alberta, located 25 kilometres to the south of the Corporation's producing properties in Pouce Coupe and Gordondale.
- As at May 9, 2023, Birchcliff held 153 sections(5) (97,920 acres(5)) of contiguous Montney lands in Elmworth, which are largely undeveloped. Birchcliff expects minimal yearly capital commitments over the next several years to maintain its land position in the area.
- This significant, largely undeveloped land base in Elmworth positions the Corporation to continue to drive long-term shareholder value by enhancing its ability for future production growth. The Elmworth asset provides Birchcliff with a large potential future development area which can be responsibly developed over time, leveraging the extensive knowledge that Birchcliff has gained in developing its Pouce Coupe and Gordondale assets. In addition, the Corporation's lands in Elmworth are located in an area that is well suited to supply clean natural gas to future LNG export facilities in Canada. This significant land position in Elmworth also builds upon Birchcliff's existing extensive inventory of potential future drilling locations in Pouce Coupe and Gordondale.
- To preserve its optionality for future growth in Elmworth, Birchcliff has licenced and is planning to drill 2 (2.0 net) Montney horizontal wells in Elmworth in late Q2 2023, which will continue a number of sections of Montney lands in the area that are set to expire in 2023.
    - Birchcliff expects that the drilling of these wells will be accomplished within the Corporation's F&D capital expenditures guidance range of $270 million to $280 million. See *"Outlook and Guidance"* and *"Operational Update".*
    - Birchcliff is only required to drill the wells in order to continue the lands and accordingly, the wells will not be completed or brought on production in 2023.
    - By drilling these wells to the planned measured depth, Birchcliff will validate multiple initial term licenses and continue 64 sections of land into their five-year intermediate term.
    - Birchcliff anticipates that these wells will be completed as it commences the development of its Elmworth area in the future.
- Over the last six months, significant Crown land sale activity has occurred in the areas offsetting Birchcliff's Elmworth land position, which has seen substantially higher prices for the Montney mineral rights as compared to previous years. Since the November 2, 2022 Alberta land sale, approximately $36 million has been spent on 111 sections of prospective Montney lands in the Elmworth area at Alberta Crown land sales(6). There have also been a significant number of sections in Elmworth posted for several upcoming land sales. In addition, several wells have recently been drilled and brought on production in the area, which have had strong production results. The

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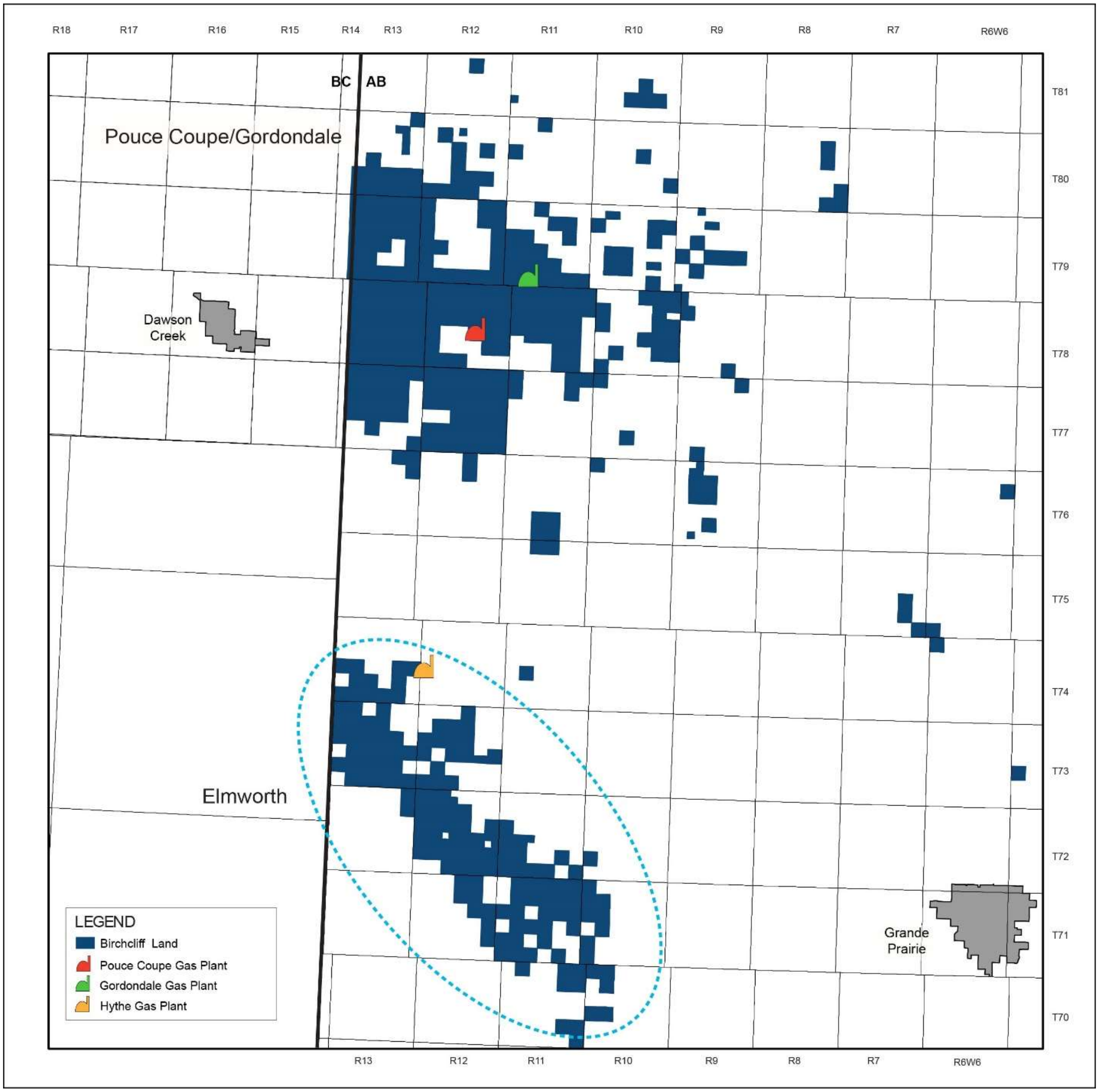
(5) On both a gross and net basis.

(6) Source: https://www.alberta.ca/petroleum-natural-gas-sales.aspx.

Montney/Doig Resource Play in Elmworth continues to garner attention and capital investment, which solidifies the value of Birchcliff's contiguous land position in the area.

A map outlining the Corporation's Elmworth area is provided below.



For further information regarding Birchcliff's Elmworth land position, please see the Corporation's corporate presentation, a copy of which is available on its website at www.birchcliffenergy.com.

ALBERTA WILDFIRE UPDATE

- Our first priority is the health and safety of our personnel. At the present time, none of Birchcliff's operations, which are located northwest of Grande Prairie, Alberta, have been directly impacted by the wildfires in Alberta. We will continue to closely monitor the situation.
- Birchcliff's thoughts are with the people and communities who have been impacted by the wildfires. We would like to thank all emergency responders for their tireless work in responding to the fires and we hope that everyone remains safe.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

- Birchcliff's annual and special meeting of shareholders is scheduled to take place tomorrow, Thursday, May 11, 2023, at 3:00 p.m. (Mountain Daylight Time) in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

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

Q1 2023 UNAUDITED FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended March 31, 2023	Three months ended March 31, 2022
OPERATING		
Average production		
Light oil *(bbls/d)*	2,088	2,369
Condensate *(bbls/d)*	5,358	4,796
NGLs *(bbls/d)*	3,288	7,976
Natural gas *(Mcf/d)*	383,145	365,296
Total *(boe/d)*	**74,592**	**76,024**
Average realized sales price *(CDN$)*(1)(2)		
Light oil *(per bbl)*	105.69	115.47
Condensate *(per bbl)*	105.88	121.56
NGLs *(per bbl)*	36.69	43.56
Natural gas *(per Mcf)*	3.68	5.40
Total *(per boe)*	**31.07**	**41.79**
NETBACK AND COST *($/boe)*(2)		
Petroleum and natural gas revenue(1)	31.08	41.80
Royalty expense	(4.37)	(4.41)
Operating expense	(3.95)	(3.49)
Transportation and other expense(3)	(5.31)	(5.43)
Operating netback(3)	**17.45**	**28.47**
G&A expense, net	(1.41)	(1.12)
Interest expense	(0.47)	(0.48)
Realized loss on financial instruments	(2.36)	(0.03)
Other cash income	0.01	0.01
Adjusted funds flow(3)	**13.22**	**26.85**
Depletion and depreciation expense	(8.26)	(7.47)
Unrealized gain (loss) on financial instruments	(12.43)	5.07
Other expense(4)	(0.56)	(0.08)
Dividends on preferred shares	-	(0.25)
Deferred income tax recovery (expense)	1.69	(5.74)
Net income (loss) to common shareholders	**(6.34)**	**18.38**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*(1)	208,647	285,976
Cash flow from operating activities *($000s)*	111,330	154,152
Adjusted funds flow *($000s)*(5)	88,737	183,699
Per basic common share *($)*(3)	0.33	0.69
Free funds flow *($000s)*(5)	(26,302)	95,417
Per basic common share *($)*(3)	(0.10)	0.36
Net income (loss) to common shareholders *($000s)*	(42,548)	125,792
Per basic common share *($)*	(0.16)	0.47
End of period basic common shares *(000s)*	266,987	266,810
Weighted average basic common shares *(000s)*	266,447	265,530
Dividends on common shares *($000s)*	53,392	2,658
Dividends on preferred shares *($000s)*	-	1,717
F&D capital expenditures *($000s)*(6)	115,039	88,282
Total capital expenditures *($000s)*(5)	115,659	88,124
Revolving term credit facilities *($000s)*	191,426	397,752
Total debt *($000s)*(7)	217,927	408,998

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

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

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

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

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

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

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

OUTLOOK AND GUIDANCE

Updated 2023 Guidance

As a result of the ongoing impact of a force majeure event on Pembina Pipeline Corporation's ("**Pembina**") Northern Pipeline system (the "**Pembina Pipeline System**"), Birchcliff currently expects that it will be on the low end of its annual average production guidance range of 77,000 to 80,000 boe/d. As previously disclosed in Birchcliff's press releases dated February 15, 2023 and March 15, 2023, Pembina notified Birchcliff on January 19, 2023 of a force majeure event on the Pembina Pipeline System, which resulted in an unplanned outage impacting a substantial portion of the volumes on the system, including the Corporation's NGLs sales volumes. The Pembina Pipeline System has been operating under limited NGLs capacity since February 2023, which continues to impact the Corporation's NGLs sales revenue and volumes. The Corporation has been closely monitoring the situation and diligently working with Pembina to help mitigate the impact of the outage and is optimistic that the outage will be resolved in the near-term.

The Corporation is tightening its 2023 F&D capital expenditures guidance range to $270 million to $280 million (previously $260 million to $280 million) to reflect the drilling of an additional 2 (2.0 net) wells in the Elmworth area, as discussed in further detail under the headings *"Elmworth – Updated Land Position"* and *"Operational Update"*.

The Corporation is lowering its 2023 guidance for adjusted funds flow, free funds flow and excess free funds flow to reflect a lower commodity price forecast for 2023. As a result of lower anticipated adjusted funds flow in 2023, Birchcliff now expects to fund its capital program and dividend payments in 2023 through a combination of adjusted funds flow and the Corporation's extendible revolving term credit facilities (the "**Credit Facilities**"), which is anticipated to result in higher total debt at year-end 2023 than previously forecast. Birchcliff has significant unutilized credit capacity under its Credit Facilities, which provides it with substantial financial flexibility and additional capital resources. Subsequent to Q1 2023, Birchcliff's syndicate of lenders confirmed the borrowing base limit under the Credit Facilities at $850.0 million. See *"Q1 2023 Financial and Operational Results – Debt and Credit Facilities"*.

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2023, as well as its free funds flow sensitivity:

	Updated 2023 guidance and assumptions – May 10, 2023[1]	Previous 2023 guidance and assumptions – March 15, 2023
Production		
Annual average production *(boe/d)*	77,000 – 80,000	77,000 – 80,000
% Light oil	3%	3%
% Condensate	7%	7%
% NGLs	8%	9%
% Natural gas	82%	81%
Average Expenses *($/boe)*		
Royalty[2]	3.60 – 3.80	4.25 – 4.45
Operating[2]	3.60 – 3.80	3.55 – 3.75
Transportation and other[3]	5.30 – 5.50	5.25 – 5.45
Adjusted Funds Flow *(millions)*[4]	$360	$475
F&D Capital Expenditures *(millions)*	$270 – $280	$260 – $280
Free Funds Flow *(millions)*[4]	$80 – $90	$195 – $215
Annual Base Dividend *(millions)*[5]	$213	$213
Excess Free Funds Flow *(millions)*[4][5]	($123) – ($133)	($18) – $2
Total Debt at Year End *(millions)*[6]	$280 – $290[7]	$145 – $165
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	15%[8]	17%
Dawn exposure as a % of total natural gas production	42%[8]	41%
NYMEX HH exposure as a % of total natural gas production	37%[8]	36%
Alliance exposure as a % of total natural gas production	6%[8]	6%

	Updated 2023 guidance and assumptions – May 10, 2023[1]	Previous 2023 guidance and assumptions – March 15, 2023
Commodity Prices		
Average WTI price *(US$/bbl)*	78.00[9]	78.50
Average WTI-MSW differential *(CDN$/bbl)*	4.20[9]	3.25
Average AECO price *(CDN$/GJ)*	2.45[9]	3.00
Average Dawn price *(US$/MMBtu)*	2.50[9]	3.05
Average NYMEX HH price *(US$/MMBtu)*	2.85[9]	3.50
Exchange rate *(CDN$ to US$1)*	1.35[9]	1.35

Forward eight months' free funds flow sensitivity[10]	Estimated change to 2023 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$2.7
Change in NYMEX HH US$0.10/MMBtu	$4.8
Change in Dawn US$0.10/MMBtu	$5.4
Change in AECO CDN$0.10/GJ	$2.3
Change in CDN/US exchange rate CDN$0.01	$3.0

(1) Birchcliff's updated guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, total debt and natural gas market exposure in 2023 is based on an annual average production rate of 77,000 boe/d in 2023, which is the low end of Birchcliff's annual average production guidance range for 2023. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

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

(5) Assumes that an annual base dividend of $0.80 per common share is paid and that there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid. Other than the dividends declared for the quarters ending March 31, 2023 and June 30, 2023, the declaration of dividends is subject to the approval of the Board and is subject to change.

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

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

(8) Birchcliff's natural gas market exposure for 2023 takes into account its physical and financial basis swap contracts outstanding as at May 1, 2023.

(9) Birchcliff's updated commodity price and exchange rate assumptions for 2023 are based on anticipated full-year averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2023 to April 30, 2023.

(10) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2023, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

Updated Five-Year Outlook[7]

As a result of the changes to its 2023 guidance, Birchcliff is also updating its five-year outlook for 2023 to 2027.

2024

As previously updated in Birchcliff's press release dated March 15, 2023, the Corporation currently expects that it will keep its production relatively flat year-over-year. 2024 annual average production is currently forecast to be 78,000 boe/d (previously 78,500 boe/d) resulting from forecast 2024 F&D capital expenditures of $255 million.

Assuming the payment of an annual base dividend of $0.80 per common share[8] and that realized commodity prices match the Corporation's commodity price assumptions, Birchcliff would achieve 2024 excess free funds flow of $67 million (previously $82 million) and total debt at year end 2024 of $230 million (previously $85 million). Birchcliff currently anticipates that excess free funds flow generated in 2024 will be primarily used to reduce indebtedness and that it will be in a position to fund its common share dividend payments and reduce its total debt in 2024 from year-end 2023.

(7) The five-year outlook presented herein is for illustrative purposes only and should not be relied upon as indicative of future results. The internal projections, expectations and beliefs underlying this outlook are subject to change in light of ongoing results and prevailing economic and industry conditions. Birchcliff's F&D capital budgets for 2024 to 2027 have not been finalized and are subject to approval by the Board. Accordingly, the levels of F&D capital expenditures for 2024 to 2027 are subject to change, which could have an impact on the Corporation's forecasted production, adjusted funds flow, free funds flow, excess free funds flow and year end total debt or total surplus over the five-year period. In addition, changes in assumed commodity prices and variances in production forecasts can have an impact on the Corporation's five-year outlook, which impact could be material. See *"Advisories – Forward-Looking Statements".*

(8) Assumes that an annual base dividend of $0.80 per common share is paid and that there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid. Other than the dividends declared for the quarters ending March 31, 2023 and June 30, 2023, the declaration of dividends is subject to the approval of the Board and is subject to change. The Board has not approved the annual base dividend rate for 2024. See *"Advisories – Forward-Looking Statements".*

Outlook to 2027

Over the longer-term, Birchcliff remains committed to generating substantial free funds flow and delivering significant returns to shareholders, while achieving disciplined production growth to fully utilize the Corporation's existing processing and transportation capacity. Birchcliff's five-year outlook still provides for potential cumulative free funds flow of approximately $1.3 billion by the end of the five-year period. Annual average production in 2027 is still forecast to be 87,000 boe/d, subject to commodity prices.

For further information regarding the Corporation's updated five-year outlook and the commodity price and other assumptions underlying such outlook, see *"Advisories – Forward-Looking Statements"* and the Corporation's corporate presentation, a copy of which is available on its website at www.birchcliffenergy.com.

Q1 2023 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 74,592 boe/d in Q1 2023, a 2% decrease from Q1 2022. The decrease was primarily due to the outage on the Pembina Pipeline System, which negatively impacted the Corporation's NGLs sales volumes in Q1 2023, and natural production declines. Birchcliff's production in Q1 2023 was positively impacted by incremental production volumes from the new Montney/Doig wells brought on production since Q1 2022, including the 5 (5.0 net) wells on its 03-06 pad that were brought on production in December 2022 and early January 2023 and the 6 (6.0 net) wells on its 14-06 pad that were brought on production in February 2023.

Liquids accounted for 14% of Birchcliff's total production in Q1 2023 as compared to 20% in Q1 2022. Liquids production weighting decreased from Q1 2022 primarily due to a 59% decrease in NGLs sales volumes, which were largely impacted by the outage on the Pembina Pipeline System.

Adjusted Funds Flow and Cash Flow From Operating Activities

Birchcliff's adjusted funds flow was $88.7 million in Q1 2023, or $0.33 per basic common share, both of which decreased by 52% from Q1 2022. Birchcliff's cash flow from operating activities was $111.3 million in Q1 2023, a 28% decrease from Q1 2022. The decreases were primarily due to lower petroleum and natural gas revenue, which was largely impacted by a 32% decrease in the average realized natural gas sales price and lower NGLs sales volumes due to the outage on the Pembina Pipeline System. Birchcliff's adjusted funds flow and cash flow from operating activities were also negatively impacted by a higher realized loss on financial instruments in Q1 2023 as compared to Q1 2022. Birchcliff recorded a realized loss on financial instruments of $15.8 million in Q1 2023 as compared to a negligible realized loss on financial instruments in Q1 2022.

Net Loss to Common Shareholders

Birchcliff reported a net loss to common shareholders of $42.5 million in Q1 2023, or $0.16 per basic common share, as compared to net income to common shareholders of $125.8 million and $0.47 per basic common share in Q1 2022. The change to a net loss position was primarily due to lower adjusted funds flow and an unrealized mark-to-market loss on financial instruments in Q1 2023, which resulted from changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts, partially offset by a deferred income tax recovery in Q1 2023 as compared to a deferred income tax expense in Q1 2022. Birchcliff recorded an unrealized mark-to-market loss on financial instruments of $83.4 million in Q1 2023 as compared to an unrealized mark-to-market gain on financial instruments of $34.7 million in Q1 2022.

Debt and Credit Facilities

Total debt at March 31, 2023 was $217.9 million, a 47% decrease from March 31, 2022. At March 31, 2023, Birchcliff had long-term bank debt under its Credit Facilities of $191.4 million (March 31, 2022: $397.8 million) from available Credit Facilities of $850.0 million (March 31, 2022: $850.0 million), leaving the Corporation with $655.3 million (77%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees.

Subsequent to Q1 2023, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the lenders confirmed the borrowing base limit at $850.0 million. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

Commodity Prices

The Corporation's average realized sales price in Q1 2023 was $31.07/boe, a 26% decrease from Q1 2022. The decrease was due to lower benchmark commodity prices, which negatively impacted the sales prices Birchcliff received for its production in Q1 2023. Birchcliff is fully exposed to increases and decreases in commodity prices as it has no fixed price commodity hedges in place.

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

	Three months ended March 31,		
	2023	**2022**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	76.09	94.29	(19)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	99.11	115.64	(14)
Natural gas – NYMEX HH *(US$/MMBtu)*	3.42	4.95	(31)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	3.05	4.49	(32)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	3.21	3.61	(11)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.72	4.42	(38)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.88	4.58	(37)

Natural Gas Market Diversification

Birchcliff's physical natural gas sales exposure primarily consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing. The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q1 2023, after taking into account the Corporation's financial instruments:

	Three months ended March 31, 2023					
	Effective sales[1] *(CDN$000s)*	**Percentage of total sales** *(%)*	**Effective production** *(per day)*	**Percentage of total natural gas production** *(%)*	**Percentage of total corporate production** *(%)*	**Effective average realized sales price**[1] *(CDN$)*
Market						
AECO[2][3]	28,465	13	89,081 Mcf	23	20	3.55/Mcf
Dawn[4]	55,292	26	157,375 Mcf	41	35	3.90/Mcf
NYMEX HH[1][2][5]	47,769	23	136,689 Mcf	36	31	3.88/Mcf
Total natural gas[1]	**131,526**	**62**	**383,145 Mcf**	**100**	**86**	**3.81/Mcf**
Light oil	19,862	9	2,088 bbls		3	105.69/bbl
Condensate	51,062	24	5,358 bbls		7	105.88/bbl
NGLs	10,855	5	3,288 bbls		4	36.69/bbl
Total liquids	**81,779**	**38**	**10,734 bbls**		**14**	**84.65/bbl**
Total corporate[1]	**213,305**	**100**	**74,592 boe**		**100**	**31.77/boe**

(1) Effective sales and effective average realized sales price on a total natural gas and total corporate basis and for the AECO and NYMEX HH markets are non-GAAP financial measures and non-GAAP ratios, respectively. See *"Non-GAAP and Other Financial Measures"*.

(2) AECO sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical NYMEX HH/AECO 7A basis swap contracts have been included as effective sales and production in the NYMEX HH market. Birchcliff sold physical NYMEX HH/AECO 7A basis swap contracts for 5,000 MMBtu/d at an average contract price of NYMEX HH less US$1.205/MMBtu during Q1 2023.

(3) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q1 2023 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

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

(5) NYMEX HH sales and production include financial and physical NYMEX HH/AECO 7A basis swap contracts for an aggregate of 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.23/MMBtu during Q1 2023.

Birchcliff's effective average realized sales price for NYMEX HH of CDN$3.88/Mcf (US$2.57/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.85/Mcf (US$1.23/MMBtu) and includes any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q1 2023.

After giving effect to the NYMEX HH/AECO 7A basis contract price and including any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q1 2023, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$2.03/Mcf (US$1.34/MMBtu) in Q1 2023.

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

Three months ended March 31, 2023							
Natural gas market	Natural gas sales[1] (CDN$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price[1][2] (CDN$/Mcf)	Natural gas transportation costs[2][3] (CDN$/Mcf)	Natural gas sales netback[2][4] (CDN$/Mcf)
AECO	66,352	52	210,309	55	3.53	0.45	3.08
Dawn	55,292	44	157,375	41	3.90	1.54	2.36
Alliance[5]	5,178	4	15,461	4	3.72	-	3.72
Total	**126,822**	**100**	**383,145**	**100**	**3.68**	**0.88**	**2.80**
Three months ended March 31, 2022							
Natural gas market	Natural gas sales[1] (CDN$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price[1][2] (CDN$/Mcf)	Natural gas transportation costs[2][3] (CDN$/Mcf)	Natural gas sales netback[2][4] (CDN$/Mcf)
AECO	72,361	41	158,501	43	5.07	0.52	4.55
Dawn	83,830	47	161,291	44	5.77	1.57	4.20
Alliance[5]	21,419	12	45,504	13	5.23	-	5.23
Total	**177,610**	**100**	**365,296**	**100**	**5.40**	**0.92**	**4.48**

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

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

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

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

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

Capital Activities and Investment

In Q1 2023, Birchcliff drilled 14 (14.0 net) wells and brought 15 (15.0 net) wells on production, with F&D capital expenditures of $115.0 million. The following table sets forth the wells that were drilled and brought on production in the quarter:

	Drilled	On Production
Pouce Coupe		
03-06 pad[1]	0	1
14-06 pad[2]	0	6
15-27 pad[3]	3	4
04-23 pad[3]	3	4
04-16 pad	8	0
TOTAL	**14**	**15**

(1) The 03-06 pad included 4 wells that were brought on production in December 2022.

(2) The 6 wells on the 14-06 pad were drilled in Q4 2022.

(3) The 15-27 pad and the 04-23 pad each included 1 well that was drilled in Q4 2022.

OPERATIONAL UPDATE

6-Well Pad (14-06)

Birchcliff successfully completed its 6-well 14-06 pad in January 2023, which was brought on production in February 2023. The pad was drilled in late Q4 2022 in 3 different intervals (3 in the Montney D1, 2 in the Montney D2 and 1 in the Montney C) and targeted condensate-rich natural gas. The following table summarizes the aggregate and average production rates for the wells from the pad:

	Wells: IP 30[1]	Wells: IP 60[1]
Aggregate production rate *(boe/d)*	**4,513**	**4,406**
Aggregate natural gas production rate *(Mcf/d)*	21,182	20,908
Aggregate condensate production rate *(bbls/d)*	965	903
Average per well production rate *(boe/d)*	**752**	**734**
Average per well natural gas production rate *(Mcf/d)*	3,530	3,485
Average per well condensate production rate *(bbls/d)*	161	151
Condensate-to-gas ratio *(bbls/MMcf)*	**46**	**43**

(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"*.

4-Well Pad (15-27) and 4-Well Pad (04-23)

Birchcliff successfully completed its 4-well 15-27 pad and 4-well 04-23 pad at the end of Q1 2023. These wells are producing in-line with the Corporation's expectations. As the wells on these pads have not yet produced for over 60 days, Birchcliff anticipates providing further details regarding the results of these wells with the release of its Q2 2023 results.

Ongoing Drilling and Completions Operations

The Corporation's 2023 capital program contemplates the drilling of 25 (25.0 net) wells (previously 23 (23.0 net) wells) and the bringing on production of 32 (32.0 net) wells in 2023. The 25 wells to be drilled in 2023 includes the 2 (2.0 net) wells in Elmworth that will be drilled but not completed or brought on production this year.

The following table sets forth the wells that are part of the Corporation's full-year 2023 drilling program, including the anticipated timing of the remaining wells to be drilled and brought on production in 2023:

			Total # of wells to be brought on production	Drilled	On production
Pouce Coupe					
03-06 pad[(1)]	Montney D1	**Total**	**1**	**0**	**1**
14-06 pad[(2)]	Montney D2		2	0	2
	Montney D1		3	0	3
	Montney C		1	0	1
		Total	**6**	**0**	**6**
15-27 pad[(3)]	Montney D2		1	1	1
	Montney D1		2	1	2
	Montney C		1	1	1
		Total	**4**	**3**	**4**
04-23 pad[(3)]	Montney D2		2	2	2
	Montney D1		2	1	2
		Total	**4**	**3**	**4**
04-16 pad	Basal Doig/Upper Montney		4	4	Expected Q2 2023
	Montney D1		4	4	Expected Q2 2023
		Total	**8**	**8**	
09-04 pad	Montney D2		2	Expected Q3 2023	Expected Q4 2023
	Montney D1		3	Expected Q3 2023	Expected Q4 2023
	Montney C		2	Expected Q3 2023	Expected Q4 2023
		Total	**7**		
Gordondale					
02-27 pad	Montney D2		1	Expected Q3 2023	Expected Q4 2023
	Montney D1		1	Expected Q3 2023	Expected Q4 2023
		Total	**2**		
Elmworth					
01-28 pad	Montney		N/A	Expected Q2 2023	N/A
02-08 pad	Montney		N/A	Expected Q2 2023	N/A
		TOTAL	**32**		

(1) The 03-06 pad included 4 wells that were brought on production in December 2022.

(2) The 6 wells on the 14-06 pad were drilled in Q4 2022.

(3) The 15-27 pad and the 04-23 pad each included 1 well that was drilled in Q4 2022.

Drilling operations at the Corporation's 8-well 04-16 pad commenced in Q1 2023 and the pad is currently undergoing completion operations. The pad was drilled in 2 different intervals (4 in each of the Basal Doig/Upper Montney and Montney D1 intervals) and targeted condensate-rich natural gas. The wells are expected to be brought on production in Q2 2023, with production flowing through Birchcliff's 100% owned and operated natural gas processing plant in Pouce Coupe.

As discussed above, Birchcliff has licenced and is planning to drill 2 (2.0 net) Montney horizontal wells in the Elmworth area in late Q2 2023. Subsequent to the drilling of these wells, the drilling rig is expected to return to the Pouce/Gordondale area where the Corporation plans to drill and complete the remaining wells that are part of the Corporation's 2023 capital program, consisting of 7 wells in the Pouce Coupe area (09-04 pad) and 2 wells in the Gordondale area (02-27 pad). These 9 wells are expected to be brought on production in Q4 2023, when commodity prices are forecast to be higher.

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period to period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Adjusted funds flow can also be derived from petroleum and natural gas revenue less royalty expense, operating expense, transportation and other expense, net G&A expense, interest expense and any realized losses (plus realized gains) on financial instruments and plus any other cash income and expense sources. Management believes that adjusted funds flow assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, buy back common shares and pay dividends.

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

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

The most directly comparable GAAP financial measure to adjusted funds flow, free funds flow and excess free funds flow is cash flow from operating activities. The following table provides a reconciliation of cash flow from operating activities to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2023**	**2022**	**2022**
Cash flow from operating activities	**111,330**	**154,152**	**925,275**
Change in non-cash operating working capital	(22,967)	28,830	25,662
Decommissioning expenditures	374	717	2,746
Adjusted funds flow	**88,737**	**183,699**	**953,683**
F&D capital expenditures	(115,039)	(88,282)	(364,621)
Free funds flow	**(26,302)**	**95,417**	**589,062**
Dividends on common shares	(53,392)	(2,658)	(71,788)
Excess free funds flow	**(79,694)**	**92,759**	**517,274**

Birchcliff has disclosed in this press release forecasts of adjusted funds flow, free funds flow and excess free funds flow for 2023, excess free funds flow for 2024 and cumulative free funds flow for the period from 2023 to 2027, which are forward-looking non-GAAP financial measures. The equivalent historical non-GAAP financial measures are adjusted funds flow, free funds flow and excess free funds flow for the twelve months ended December 31, 2022. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices which are expected to decrease the average realized sales prices the Corporation receives for its production. The forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023 and 2024. The commodity price assumptions on which the Corporation's guidance is based are set forth under the headings "*Outlook and Guidance*" and "*Advisories – Forward-Looking Statements*".

Transportation and Other Expense

Birchcliff defines "transportation and other expense" as transportation expense plus marketing purchases less marketing revenue. Birchcliff may enter into certain marketing purchase and sales arrangements with the objective of reducing any available transportation and/or fractionation fees associated with its take-or-pay commitments. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation activities. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to transportation and other expense for the periods indicated:

		Three months ended March 31,
($000s)	**2023**	**2022**
Transportation expense	**34,517**	**37,837**
Marketing purchases	10,625	3,569
Marketing revenue	(9,438)	(4,234)
Transportation and other expense	**35,704**	**37,172**

Operating Netback

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

		Three months ended March 31,
($000s)	**2023**	**2022**
Petroleum and natural gas revenue	208,647	285,976
Royalty expense	(29,308)	(30,158)
Operating expense	(26,502)	(23,847)
Transportation and other expense	(35,344)	(37,172)
Operating netback – Corporate	**117,493**	**194,799**

Total Capital Expenditures

Birchcliff defines "total capital expenditures" as exploration and development expenditures less dispositions plus acquisitions (if any) and plus administrative assets. Management believes that total capital expenditures assists management and investors in assessing Birchcliff's overall capital cost structure associated with its petroleum and natural gas activities. The most directly comparable GAAP financial measure for total capital expenditures is exploration and development expenditures. The following table provides a reconciliation of exploration and development expenditures to total capital expenditures for the periods indicated:

		Three months ended March 31,
($000s)	**2023**	**2022**
Exploration and development expenditures(1)	**115,039**	**88,282**
Dispositions	-	(315)
Administrative assets	620	157
Total capital expenditures	**115,659**	**88,124**

(1) Disclosed as F&D capital expenditures elsewhere in this press release. See "*Advisories – F&D Capital Expenditures*".

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

Birchcliff defines "effective sales" in the AECO market and NYMEX HH market as the sales amount received from the production of natural gas that is effectively attributed to the AECO and NYMEX HH market pricing, respectively, and does not consider the physical sales delivery point in each case. Effective sales in the NYMEX HH market includes realized gains and losses on financial instruments and excludes the notional fixed basis costs associated with the underlying financial contract in the period. Birchcliff defines "effective total natural gas sales" as the aggregate of the effective sales amount received in each natural gas market. Birchcliff defines "effective total corporate sales" as the aggregate of the effective total natural gas sales and the sales amount received from the production of light oil, condensate and NGLs.

Management believes that disclosing effective sales for each natural gas market assists management and investors in assessing Birchcliff's natural gas diversification and commodity price exposure to each market. The most directly comparable GAAP financial measure for effective total natural gas sales and effective total corporate sales is natural gas sales. The following table provides a reconciliation of natural gas sales to effective total natural gas sales and effective total corporate sales for the periods indicated:

	Three months ended March 31,	
($000s)	**2023**	**2022**
Natural gas sales	**126,821**	**177,610**
Realized loss on financial instruments	(15,811)	(199)
Notional fixed basis costs[1]	20,156	22,751
Effective total natural gas sales	**131,526**	**200,162**
Light oil sales	19,862	24,624
Condensate sales	51,062	52,466
NGLs sales	10,855	31,265
Effective total corporate sales	**213,305**	**308,517**

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

Non-GAAP Ratios

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

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

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

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

Free Funds Flow Per Basic Common Share

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

Transportation and Other Expense Per Boe

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

Operating Netback Per Boe

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

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

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

Supplementary Financial Measures

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

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

Capital Management Measures

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

Total Debt

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

As at, *($000s)*	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Revolving term credit facilities	**191,426**	**131,981**	**397,752**
Working capital deficit (surplus)(1)	49,365	(7,902)	46,213
Fair value of financial instruments – asset(2)	7,585	17,729	4,684
Fair value of financial instruments – liability(2)	(27,942)	(1,345)	(1,435)
Other liabilities(2)	(2,507)	(1,914)	-
Capital securities	-	-	(38,216)
Total debt(3)	**217,927**	**138,549**	**408,998**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

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

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three months ended March 31, 2023 and 2022 is unaudited.

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

This press release contains metrics commonly used in the oil and natural gas industry, including netbacks. These oil and gas metrics do not have any standardized meanings or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies. 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 and how such metric is calculated, see "*Non-GAAP and Other Financial Measures*".

Production

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

Initial Production Rates

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

With respect to the production rates for the Corporation's 6-well 14-06 pad 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, divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 6-well pad and then divided by 6 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

F&D Capital Expenditures

Unless otherwise stated, references in this press release to "F&D capital expenditures" denotes exploration and development expenditures as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any net acquisitions and dispositions, administrative assets and the capitalized portion of cash incentive payments that have not been approved by the Board. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff's capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements and forward-looking information (collectively referred to as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this press release relate to future events or Birchcliff's future plans, strategy, operations, performance or financial position and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "focus", "future", "outlook", "position", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "guidance", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should", "would", "on track", "maintain", "deliver" and other similar words and expressions.

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

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

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including its commitment to delivering significant shareholder returns;
- Birchcliff's plans for the Elmworth area, including: that the Corporation's significant land base positions Birchcliff to continue to drive long-term shareholder value, providing it with a large potential future development area that can supply clean natural gas for many years to come; that Birchcliff expects minimal yearly capital commitments over the next several years to maintain its land position in the area; that this significant, largely undeveloped land base in Elmworth positions the Corporation to continue to drive long-term shareholder value by enhancing its ability for future production growth; that the Elmworth asset provides Birchcliff with a large potential future development area which can be responsibly developed over time, leveraging the extensive knowledge that Birchcliff has gained in developing its Pouce Coupe and Gordondale assets; that the Corporation's lands in Elmworth are located in an area that is well suited to supply clean natural gas to future LNG export facilities in Canada; that this significant land position in Elmworth also builds upon Birchcliff's existing extensive inventory of potential future drilling locations in Pouce Coupe and Gordondale; that to preserve its optionality for future growth in Elmworth, Birchcliff has licenced and is planning to drill 2 (2.0 net) Montney horizontal wells in Elmworth in late Q2 2023, which will continue a number of sections of Montney lands in the area that are set to expire in 2023; that Birchcliff expects that the drilling of these wells will be accomplished within the Corporation's F&D capital expenditures guidance range of $270 million to $280 million; that these wells will not be completed or brought on production in 2023; that by drilling these wells to the planned measured depth, Birchcliff will validate multiple initial term licenses and continue 64 sections of land into their five-year intermediate term; that Birchcliff anticipates that these wells will be completed as it commences the development of its Elmworth area in the future; and that the Montney/Doig

Resource Play in Elmworth continues to garner attention and capital investment, which solidifies the value of Birchcliff's contiguous land position in the area;

- statements with respect to dividends, including that the annual base dividend of $0.80 per common share for 2023 is expected to be declared and paid quarterly at the rate of $0.20 per common share, at the discretion of the Board;
- the information set forth under the heading "*Outlook and Guidance*" as it relates to Birchcliff's outlook and guidance, including: that as a result of the ongoing impact of the force majeure event on the Pembina Pipeline System, Birchcliff currently expects that it will be on the low end of its annual average production guidance range of 77,000 to 80,000 boe/d; that the outage on the Pembina Pipeline System will be resolved in the near-term; that as a result of lower anticipated adjusted funds flow in 2023, Birchcliff now expects to fund its capital program and dividend payments in 2023 through a combination of adjusted funds flow and the Corporation's Credit Facilities, which is anticipated to result in higher total debt at year-end 2023 than previously forecast; that the significant unutilized credit capacity under its Credit Facilities provides the Corporation with substantial financial flexibility and additional capital resources; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base common share dividend, excess free funds flow, total debt at year end and natural gas market exposure in 2023; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow in 2023; that the forecast of total debt at December 31, 2023 is expected to be comprised of any amounts outstanding under the Credit Facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the year; that the Corporation currently expects that it will keep its production in 2024 relatively flat year-over-year; that 2024 annual average production is currently forecast to be 78,000 boe/d resulting from forecast 2024 F&D capital expenditures of $255 million; that assuming the payment of an annual base dividend of $0.80 per common share and that realized commodity prices match the Corporation's commodity price assumptions, Birchcliff would achieve 2024 excess free funds flow of $67 million and total debt at year end 2024 of $230 million; that Birchcliff currently anticipates that excess free funds flow generated in 2024 will be primarily used to reduce indebtedness and that it will be in a position to fund its common share dividend payments and reduce its total debt in 2024 from year-end 2023; that over the longer-term, Birchcliff remains committed to generating substantial free funds flow and delivering significant returns to shareholders, while achieving disciplined production growth to fully utilize the Corporation's existing processing and transportation capacity; that Birchcliff's five-year outlook still provides for potential cumulative free funds flow of approximately $1.3 billion by the end of the five-year period; and that annual average production in 2027 is still forecast to be 87,000 boe/d, subject to commodity prices;
- statements under the heading "*Operational Update*" and elsewhere in this press release regarding Birchcliff's 2023 capital program and its exploration, production and development activities and the timing thereof, including: estimates of F&D capital expenditures; the anticipated number, types and timing of wells to be drilled and brought on production; that Birchcliff anticipates providing further details regarding the results of its 15-27 and 04-23 pads with the release of its Q2 2023 results; that the wells from the 04-16 pad are expected to be brought on production in Q2 2023, with production flowing through Birchcliff's 100% owned and operated natural gas processing plant in Pouce Coupe; that subsequent to the drilling of the 2 wells in Elmworth, the drilling rig is expected to return to the Pouce/Gordondale area where the Corporation plans to drill and complete the remaining wells that are part of the Corporation's 2023 capital program, consisting of 7 wells in the Pouce Coupe area (09-04 pad) and 2 wells in the Gordondale area (02-27 pad); and that these 9 wells are expected to be brought on production in Q4 2023, when commodity prices are forecast to be higher;
- 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); and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices which are expected to decrease the average realized sales prices the Corporation receives for its production; and that the forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023 and 2024.

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

- With respect to Birchcliff's 2023 guidance (as updated on May 10, 2023), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance – Updated 2023 Guidance"*. In addition:
  - Birchcliff's production guidance assumes that: the 2023 capital program will be carried out as currently contemplated; that the outage on the Pembina Pipeline System is resolved in May 2023, with no further significant outages or restrictions occurring on such system for the remainder of 2023; no other unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any other transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
  - Birchcliff's forecast of F&D capital expenditures assumes that the 2023 capital program will be carried out as currently contemplated and excludes any net potential acquisitions and dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
  - Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its physical and financial basis swap contracts outstanding as at May 1, 2023 and excludes cash incentive payments that have not been approved by the Board.
  - Birchcliff's forecast of excess free funds flow assumes that: the forecasts of adjusted funds flow and free funds flow are achieved; and an annual base dividend of $0.80 per common share is paid during 2023 and there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid.
  - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved, with the level of capital spending for 2023 met and the payment of an annual base dividend of $213 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no further buybacks of common shares during 2023; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023; (v) there are no

equity issuances during 2023; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.

 - Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu; and (iii) 22,000 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its physical and financial basis swap contracts outstanding as at May 1, 2023.

- With respect to Birchcliff's five-year outlook (as updated on May 10, 2023), such outlook is based on the following commodity price and exchange rate assumptions: an average WTI price of US$78.00/bbl in 2023 and US$75.00/bbl in 2024 to 2027; an average AECO price of CDN$2.45/GJ in 2023, CDN$3.15/GJ in 2024 and CDN$4.20/GJ in 2025 to 2027; an average Dawn price of US$2.50/MMBtu in 2023, US$3.45/MMBtu in 2024 and US$4.20/MMBtu in 2025 to 2027; an average NYMEX HH price of US$2.85/MMBtu in 2023, US$3.60/MMBtu in 2024 and US$4.30/MMBtu in 2025 to 2027; and an average exchange rate (CDN$ to US$1) of 1.35 in 2023 and 2024 and 1.34 in 2025 to 2027. In addition:
  - Birchcliff's production forecasts assume that: the Corporation's capital programs will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
  - Birchcliff's forecasts of F&D capital expenditures assume that the Corporation's capital programs will be carried out as currently contemplated and exclude any net potential acquisitions and dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. The five-year outlook also assumes that all wells will be brought on production over the five-year period as currently forecast, which forecast is subject to similar assumptions regarding wells drilled and brought on production as set forth herein. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
  - Birchcliff's forecast of excess free funds flow for 2024 assumes: free funds flow of $280 million in 2024; and that an annual base dividend of $0.80 per common share is paid during 2024 and there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid. Birchcliff's forecast of free funds flow assumes that: the Corporation's capital programs will be carried out as currently contemplated and the level of capital spending for each year is met; and the Corporation's forecasts of production, production commodity mix, expenses and natural gas market exposure and its commodity price and exchange rate assumptions are met.
  - Birchcliff's forecast of year end 2024 total debt is expected to be comprised of any amounts outstanding under the Credit Facilities plus accounts payable and accrued liabilities and less cash, accounts receivable, prepaid expenses and deposits at the end of the year, and assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved in 2023 and 2024 using the mid-point of Birchcliff's 2023 free funds flow guidance, with the level of capital spending for 2023 and 2024 met and the payment of an annual base dividend of $213 million in 2023 and 2024; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no further buybacks of common shares during 2023 or 2024; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023 or 2024; (v) there are no equity issuances during 2023 or 2024; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023 or 2024. The forecast of total debt excludes cash incentive payments that have not been approved by the Board. The

statement that Birchcliff currently anticipates that it will be in a position to fund its common share dividend payments and reduce its total debt in 2024 is based on similar assumptions.

  - Birchcliff's forecast of cumulative free funds flow assumes that: the Corporation's capital programs will be carried out as currently contemplated and the level of capital spending for each year is met; and the Corporation's forecasts of production, production commodity mix, expenses and natural gas market exposure and its commodity price and exchange rate assumptions are met. Birchcliff's forecasts of adjusted funds flow take into account its physical and financial basis swap contracts outstanding as at May 1, 2023 and exclude cash incentive payments that have not been approved by the Board. The Corporation has used the mid-point of its 2023 guidance for free funds flow and total debt at year end in determining the cumulative free funds flow at year end for 2024 to 2027.

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

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19), epidemics and global conflict (including the Russian invasion of Ukraine) and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2023 to 2027); general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with Birchcliff's Credit Facilities, including a failure to comply with covenants under the agreement governing the Credit Facilities and the risk that the borrowing base limit may be redetermined; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to operate its assets and achieve expected future results; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry; political uncertainty and uncertainty associated with government policy changes; actions by government authorities; an inability of the Corporation to comply with existing and future laws and the cost of compliance with such laws; dependence on facilities, gathering lines and pipelines; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of the Board to declare dividends and change the Corporation's dividend policy and the risk that the amount of dividends may be less than currently forecast; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; and the accuracy of the Corporation's accounting estimates and judgments.

The declaration and payment of any future dividends are subject to the discretion of the Board and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution.

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

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

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

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

ABOUT BIRCHCLIFF:

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares are listed for trading on the Toronto Stock Exchange under the symbol "BIR".

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Jeff Tonken – Chief Executive Officer

Chris Carlsen – President and Chief Operating Officer

Bruno Geremia – Executive Vice President and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated May 10, 2023 is with respect to the three months ended March 31, 2023 (the "**Reporting Period**") as compared to the three months ended March 31, 2022 (the "**Comparable Prior Period**"). This MD&A has been prepared by management and approved by the Corporation's audit committee and board of directors (the "**Board**") and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the Reporting Period (the "**financial statements**") and the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2022, which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency unless otherwise stated.

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios", "supplementary financial measures" and "capital management measures" as such terms are defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers. For further information, including reconciliations to the most directly comparable GAAP financial measures where applicable, see *"Non-GAAP and Other Financial Measures"* in this MD&A.

This MD&A contains forward-looking statements and information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements are based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking statements. For further information regarding the forward-looking statements contained herein, see *"Advisories"* in this MD&A. All boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. For further information, see *"Advisories"* in this MD&A.

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

ABOUT BIRCHCLIFF

Birchcliff is a Calgary, Alberta based intermediate oil and natural gas company with operations focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "BIR". Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2022 (the "**AIF**"), is available on the SEDAR website at www.sedar.com and on the Corporation's website at www.birchcliffenergy.com.

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

CURRENT OPERATING ENVIRONMENT

Benchmark oil and natural gas prices remained volatile during the Reporting Period primarily due to the potential for a global economic slowdown attributed to rising inflation and interest rates, ongoing geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages, which have increased inflationary pressures on global economies. Birchcliff has incorporated the current and anticipated impacts of these conditions in its preparation of this MD&A and the financial statements. See Note 2 *"Basis of Preparation – Current Environment and Estimation Uncertainty*" in the financial statements.

HIGHLIGHTS

- Achieved quarterly average production of 74,592 boe/d, a 2% decrease from the Comparable Prior Period.
- Generated quarterly adjusted funds flow[(1)] of $88.7 million, or $0.33 per basic common share[(2)], both of which decreased by 52% from the Comparable Prior Period. Cash flow from operating activities was $111.3 million, a 28% decrease from the Comparable Prior Period.
- Reported a quarterly net loss to common shareholders of $42.5 million, or $0.16 per basic common share, as compared to net income to common shareholders of $125.8 million and $0.47 per basic common share in the Comparable Prior Period.
- Achieved an operating netback[(2)] of $17.45/boe and adjusted funds flow per boe[(2)] of $13.22, a 39% and 51% decrease, respectively, from the Comparable Prior Period.
- Realized an operating expense[(3)] of $3.95/boe, a 13% increase from the Comparable Prior Period.
- Total debt[(4)] at March 31, 2023 was $217.9 million, a 47% decrease from March 31, 2022.
- F&D capital expenditures were $115.0 million in the Reporting Period.
- Returned $53.4 million to common shareholders in the Reporting Period through dividends as compared to $2.7 million in the Comparable Prior Period.

See this MD&A for further information regarding the financial and operational results for the Reporting Period and Comparable Prior Period.

UPDATED 2023 GUIDANCE

As a result of the ongoing impact of a force majeure event on Pembina Pipeline Corporation's ("**Pembina**") Northern Pipeline system (the "**Pembina Pipeline System**"), Birchcliff currently expects that it will be on the low end of its annual average production guidance range of 77,000 to 80,000 boe/d. As previously disclosed in Birchcliff's press releases dated February 15, 2023 and March 15, 2023, Pembina notified Birchcliff on January 19, 2023 of a force majeure event on the Pembina Pipeline System, which resulted in an unplanned outage impacting a substantial portion of the volumes on the system, including the Corporation's NGLs sales volumes (the "**Pembina Outage**"). The Pembina Pipeline System has been operating under limited NGLs capacity since February 2023, which continues to impact the Corporation's NGLs sales revenue and volumes. The Corporation has been closely monitoring the situation and diligently working with Pembina to help mitigate the impact of the outage and is optimistic that the outage will be resolved in the near-term.

The Corporation is tightening its 2023 F&D capital expenditures guidance range to $270 million to $280 million (previously $260 million to $280 million) to reflect the drilling of an additional 2 (2.0 net) wells in the Elmworth area. For further information, see the Corporation's press release dated May 10, 2023.

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

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

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

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

The Corporation is lowering its 2023 guidance for adjusted funds flow, free funds flow and excess free funds flow to reflect a lower commodity price forecast for 2023. As a result of lower anticipated adjusted funds flow in 2023, Birchcliff now expects to fund its capital program and dividend payments in 2023 through a combination of adjusted funds flow and the Corporation's extendible revolving term credit facilities (the "**Credit Facilities**"), which is anticipated to result in higher total debt at year-end 2023 than previously forecast. Birchcliff has significant unutilized credit capacity under its Credit Facilities, which provides it with substantial financial flexibility and additional capital resources. Subsequent to the Reporting Period, Birchcliff's syndicate of lenders confirmed the borrowing base limit under the Credit Facilities at $850.0 million. See *"Capital Resources and Liquidity"* in this MD&A.

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2023, as well as its free funds flow sensitivity:

	Updated 2023 guidance and assumptions – May 10, 2023[1]	**Previous 2023 guidance and assumptions – March 15, 2023**
Production		
Annual average production *(boe/d)*	77,000 – 80,000	77,000 – 80,000
% Light oil	3%	3%
% Condensate	7%	7%
% NGLs	8%	9%
% Natural gas	82%	81%
Average Expenses *($/boe)*		
Royalty[2]	3.60 – 3.80	4.25 – 4.45
Operating[2]	3.60 – 3.80	3.55 – 3.75
Transportation and other[3]	5.30 – 5.50	5.25 – 5.45
Adjusted Funds Flow *(millions)*[4]	$360	$475
F&D Capital Expenditures *(millions)*	$270 – $280	$260 – $280
Free Funds Flow *(millions)*[4]	$80 – $90	$195 – $215
Annual Base Dividend *(millions)*[5]	$213	$213
Excess Free Funds Flow *(millions)*[4][5]	($123) – ($133)	($18) – $2
Total Debt at Year End *(millions)*[6]	$280 – $290[7]	$145 – $165
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	15%[8]	17%
Dawn exposure as a % of total natural gas production	42%[8]	41%
NYMEX HH exposure as a % of total natural gas production	37%[8]	36%
Alliance exposure as a % of total natural gas production	6%[8]	6%
Commodity Prices		
Average WTI price *(US$/bbl)*	78.00[9]	78.50
Average WTI-MSW differential *(CDN$/bbl)*	4.20[9]	3.25
Average AECO price *(CDN$/GJ)*	2.45[9]	3.00
Average Dawn price *(US$/MMBtu)*	2.50[9]	3.05
Average NYMEX HH price *(US$/MMBtu)*	2.85[9]	3.50
Exchange rate *(CDN$ to US$1)*	1.35[9]	1.35

Forward eight months' free funds flow sensitivity[10]	**Estimated change to 2023 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$2.7
Change in NYMEX HH US$0.10/MMBtu	$4.8
Change in Dawn US$0.10/MMBtu	$5.4
Change in AECO CDN$0.10/GJ	$2.3
Change in CDN/US exchange rate CDN$0.01	$3.0

(1) Birchcliff's updated guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, total debt and natural gas market exposure in 2023 is based on an annual average production rate of 77,000 boe/d in 2023, which is the low end of Birchcliff's annual average production guidance range for 2023. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories"* in this MD&A.

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

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

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

(5) Assumes that an annual base dividend of $0.80 per common share is paid and that there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid. Other than the dividends declared for the quarters ending March 31, 2023 and June 30, 2023, the declaration of dividends is subject to the approval of the Board and is subject to change.

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

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

(8) Birchcliff's natural gas market exposure for 2023 takes into account its physical and financial basis swap contracts outstanding as at May 1, 2023.

(9) Birchcliff's updated commodity price and exchange rate assumptions for 2023 are based on anticipated full-year averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2023 to April 30, 2023.

(10) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2023, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

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

Three months ended,	March 31, 2023	March 31, 2022
Cash flow from operating activities *($000s)*	**111,330**	**154,152**
Adjusted funds flow *($000s)*(1)	**88,737**	**183,699**
Per basic common share *($)*(2)	0.33	0.69
Per diluted common share *($)*(2)	0.33	0.67
Adjusted funds flow per boe *($)*(2)	13.22	26.85

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

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

Cash flow from operating activities decreased by 28% from the Comparable Prior Period. Adjusted funds flow decreased by 52% from the Comparable Prior Period. The decreases were primarily due to lower petroleum and natural gas revenue, which was largely impacted by a 32% decrease in the average realized natural gas sales price and lower NGLs sales volumes due to the Pembina Outage. Birchcliff's cash flow from operating activities and adjusted funds flow were also negatively impacted by a higher realized loss on financial instruments in the Reporting Period as compared to the Comparable Prior Period. Birchcliff recorded a realized loss on financial instruments of $15.8 million in the Reporting Period as compared to a negligible realized loss on financial instruments in the Comparable Prior Period.

See *"Discussion of Operations"* in this MD&A for further information regarding the period-over-period movement in the components that comprise cash flow from operating activities and adjusted funds flow.

NET INCOME (LOSS) TO COMMON SHAREHOLDERS

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

Three months ended,	March 31, 2023	March 31, 2022
Net income (loss) to common shareholders *($000s)*	**(42,548)**	**125,792**
Per basic common share *($)*	(0.16)	0.47
Per diluted common share *($)*	(0.16)	0.46
Net income (loss) to common shareholders per boe *($)*(1)	(6.34)	18.38

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

The change to a net loss position was primarily due to lower adjusted funds flow and an unrealized mark-to-market loss on financial instruments in the Reporting Period, which resulted from changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts, partially offset by a deferred income tax recovery in the Reporting Period as compared to a deferred income tax expense in the Comparable Prior Period. Birchcliff recorded an unrealized mark-to-market loss on financial instruments of $83.4 million in the Reporting Period as compared to an unrealized mark-to-market gain on financial instruments of $34.7 million in the Comparable Prior Period.

See "*Discussion of Operations*" in this MD&A for further details regarding the period-over-period movement in the components that comprise net income (loss) to common shareholders.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

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

			Three months ended March 31, 2023			Three months ended March 31, 2022
($000s)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate**(1)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate**(1)
Light oil	245	19,599	19,862	210	24,394	24,624
Condensate	38,720	12,323	51,062	34,430	17,975	52,466
NGLs	2,159	8,687	10,855	9,399	21,854	31,265
Natural gas	93,188	33,492	126,822	129,014	48,377	177,610
P&NG sales(2)	134,312	74,101	208,601	173,053	112,600	285,965
Royalty income	4	1	46	1	1	11
P&NG revenue	**134,316**	**74,102**	**208,647**	**173,054**	**112,601**	**285,976**
% of corporate P&NG revenue	**64%**	**36%**		**61%**	**39%**	

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

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

On a corporate basis, P&NG revenue decreased by 27% from the Comparable Prior Period. The decrease was primarily due to a: (i) $50.8 million (29%) decrease in natural gas revenue that largely resulted from a lower average realized natural gas sales price in the Reporting Period; and (ii) $20.4 million (65%) decrease in NGLs sales revenue that largely resulted from lower NGLs sales volumes in the Reporting Period due to the Pembina Outage.

The details regarding the period-over-period movement in the components that comprise P&NG revenue are discussed below.

Production

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

			Three months ended March 31, 2023			Three months ended March 31, 2022
	Pouce Coupe assets	**Gordondale assets**	**Corporate**(1)	**Pouce Coupe assets**	**Gordondale assets**	**Corporate**(1)
Light oil *(bbls/d)*	27	2,059	2,088	20	2,348	2,369
Condensate *(bbls/d)*	4,047	1,310	5,358	3,137	1,653	4,796
NGLs *(bbls/d)*	538	2,748	3,288	1,786	6,188	7,976
Natural gas *(Mcf/d)*	281,489	101,213	383,145	262,434	102,392	365,296
Production *(boe/d)*	**51,527**	**22,985**	**74,592**	**48,682**	**27,254**	**76,024**
Liquids-to-gas ratio *(bbls/MMcf)*	**16.4**	**60.4**	**28.0**	**18.8**	**99.5**	**41.4**
% of corporate production	**69%**	**31%**		**64%**	**36%**	

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

Birchcliff's corporate production decreased by 2% from the Comparable Prior Period. The decrease was primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes in the Reporting Period, and natural production declines. Birchcliff's production in the Reporting Period was positively impacted by incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period.

Birchcliff's production from the Pouce Coupe assets increased by 6% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the new Montney/Doig natural gas wells brought on production in the Pouce Coupe area since the Comparable Prior Period, including the 5 (5.0 net) wells on its 03-06 pad that were brought on production in December 2022 and early January 2023 and the 6 (6.0 net) wells on its 14-06 pad that were brought on production in February 2023, partially offset by lower NGLs sales volumes as a result of the Pembina Outage and natural production declines.

Birchcliff's production from the Gordondale assets decreased by 16% from the Comparable Prior Period. The decrease was primarily due to the Pembina Outage, which negatively impacted NGLs sales volumes in the Gordondale area, and natural production declines. Production in Gordondale was positively impacted by incremental production volumes from the 9 (9.0 net) wells on its 06-35 pad brought on production in late September 2022.

Birchcliff's liquids-to-gas ratios for the Pouce Coupe assets and Gordondale assets decreased by 13% and 39%, respectively, from the Comparable Prior Period. The decreases were primarily due to lower NGLs sales volumes as a result of the Corporation reducing NGLs extraction from its natural gas stream to mitigate the impact of the Pembina Outage.

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

	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Pouce Coupe assets	Gordondale assets	Corporate(1)	Pouce Coupe assets	Gordondale assets	Corporate(1)
% Light oil production	-	9	3	-	9	3
% Condensate production	8	6	7	6	6	6
% NGLs production	1	12	4	4	23	11
% Natural gas production	91	73	86	90	62	80

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

Liquids accounted for 14% of Birchcliff's total production in the Reporting Period as compared to 20% in the Comparable Prior Period. Liquids production weighting decreased from the Comparable Prior Period primarily due to a 59% decrease in NGLs sales volumes, which were largely impacted by the Pembina Outage.

Commodity Prices

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

Three months ended,	March 31, 2023	March 31, 2022	% Change
Light oil – WTI Cushing *(US$/bbl)*	76.09	94.29	(19)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	99.11	115.64	(14)
Natural gas – NYMEX HH *(US$/MMBtu)*	3.42	4.95	(31)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	3.05	4.49	(32)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	3.21	3.61	(11)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.72	4.42	(38)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.88	4.58	(37)
Exchange rate *(CDN$ to US$1)*	1.3533	1.2699	7
Exchange rate *(US$ to CDN$1)*	0.7389	0.7875	(7)

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark price and substantially all of its natural gas production based on the AECO 5A and Dawn benchmark prices. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. Birchcliff has also diversified a portion of its AECO 5A production to NYMEX HH-based pricing, predominantly on a financial basis, with various terms ending no later than December 31, 2027. Birchcliff had financial NYMEX HH/AECO 7A basis swap contracts for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Period and Comparable Prior Period.

The average realized sales price the Corporation receives for its liquids and natural gas production depends on a number of factors, including, but not limited to, the average benchmark index prices for crude oil and natural gas, the US to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on its natural gas production.

The benchmark prices for crude oil are impacted by global and regional events that dictate the level of supply and demand for crude oil. The principal benchmark index prices that Birchcliff compares its oil price to are the WTI price and the MSW price. These index prices can fluctuate due to a number of factors, including, but not limited to, current and anticipated local, regional and global oil supply and demand, North American refinery utilization rates, changing demographics, economic activity, inventory levels and pipeline infrastructure capacity connecting key oil consuming domestic and export markets. The WTI benchmark oil index price decreased from the Comparable Prior Period primarily due to oil demand uncertainty as a result of: (i) ongoing global recession concerns as a result of high inflation and the impact it may have on the global economy; (ii) instability in the financial banking sector; and (iii) lower than expected demand from China following its phaseout of lockdowns. The WTI benchmark oil index price in the Reporting Period was also negatively impacted by lower than anticipated supply shortfall resulting from the European Union embargo on seaborn oil imports from Russia and the International Group of Seven (G7) price cap on Russian oil in response to Russia's invasion of Ukraine and was positively impacted by higher demand for North American crude oil as a result of the geopolitical tensions arising from the Russian invasion of Ukraine.

Canadian natural gas prices are influenced by local, regional and global supply and demand fundamentals which can be impacted by a number of factors, including, but not limited to, production growth levels, weather-related conditions in key natural gas consuming markets, changing demographics, economic activity, inventory levels, access to underground storage, net import and export of LNG, pipeline supply takeaway capacity, maintenance on key natural gas infrastructure, costs of competing renewable and non-renewable energy alternatives, drilling and completions rates and efficiencies in extracting natural gas from North American natural gas basins. Natural gas benchmark index prices decreased from the Comparable Prior Period primarily due to warm winter conditions in the Reporting Period that reduced weather-related domestic and global demand for natural gas, partially offset by increased US LNG export demand resulting from geopolitical tensions arising from the Russian invasion of Ukraine.

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, 2023	March 31, 2022	% Change
Light oil *($/bbl)*	105.69	115.47	(8)
Condensate *($/bbl)*	105.88	121.56	(13)
NGLs *($/bbl)*	36.69	43.56	(16)
Natural gas *($/Mcf)*	3.68	5.40	(32)
Average realized sales price *($/boe)*(1)(2)	**31.07**	**41.79**	**(26)**

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

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

The Corporation's average realized sales price decreased by 26% from the Comparable Prior Period primarily due to lower benchmark oil and natural gas index prices, which negatively impacted the sales prices Birchcliff received for its production in the Reporting Period. Birchcliff is fully exposed to increases and decreases in commodity prices as it has no fixed price commodity hedges in place.

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, 2023					Three months ended March 31, 2022				
Natural gas market	**Natural gas sales** *($000s)*(1)	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*(1)(2)	**Natural gas sales** *($000s)*(1)	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*(1)(2)
AECO	66,352	52	210,309	55	3.53	72,361	41	158,501	43	5.07
Dawn	55,292	44	157,375	41	3.90	83,830	47	161,291	44	5.77
Alliance(3)	5,178	4	15,461	4	3.72	21,419	12	45,504	13	5.23
Total	**126,822**	**100**	**383,145**	**100**	**3.68**	**177,610**	**100**	**365,296**	**100**	**5.40**

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

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

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

Market Diversification and Risk Management

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

Financial Derivative Contracts

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity price contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position on a mark-to-market fair value basis at March 31, 2023, with the changes in fair value being recognized as a non-cash unrealized gain or loss in profit or loss and realized upon settlement. These contracts are not entered into for trading or speculative purposes.

Birchcliff's average notional quantity and contract price for its financial NYMEX HH/AECO 7A basis swap contracts outstanding at March 31, 2023 are set forth below:

Product	Type of Contract	Average Notional Quantity	Period(1)	Average Contract Price
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.120/MMBtu
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.088/MMBtu
Natural gas	AECO 7A basis swap(2)	50,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.970/MMBtu
Natural gas	AECO 7A basis swap(2)	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu

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

(2) Birchcliff sold AECO basis swap.

The following financial derivative contracts were entered into subsequent to March 31, 2023 to manage commodity price risk:

Product	Type of Contract	Average Notional Quantity	Period(1)	Average Contract Price
Natural gas	AECO 7A basis swap(2)	20,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.940/MMBtu

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

(2) Birchcliff sold AECO basis swap.

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

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

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to March 31, 2023 to manage commodity price risk.

Interest Rate Risk

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

At March 31, 2023, 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, 2023 – Mar. 1, 2024	$350 million	2.215%

(1) All transactions have been aggregated and presented at the weighted average rate.

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

There were no financial derivative contracts entered into subsequent to March 31, 2023 to manage interest rate risk.

Realized and Unrealized Gains and Losses on Financial Instruments

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

Three months ended,	March 31, 2023		March 31, 2022	
	($000s)	*($/boe)*(1)	*($000s)*	*($/boe)*(1)
Realized loss	(15,811)	(2.36)	(199)	(0.03)
Unrealized gain (loss)	(83,432)	(12.43)	34,675	5.07

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

Birchcliff's realized gains and losses on financial instruments were primarily impacted by the settlement of the NYMEX HH/AECO 7A basis swap contracts during the Reporting Period and Comparable Prior Period. The Corporation records a realized gain on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price (the average spread between NYMEX HH and AECO 7A) of the contracted volumes is higher than the average contract price in the period. Conversely, the Corporation records a realized loss on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price of the contracted volumes is lower than the average contract price in the period. The average contract volume and price for Birchcliff's NYMEX HH/AECO 7A basis swap contracts were 147,500 MMbtu/d and US$1.227/MMbtu, respectively, during the Reporting Period and Comparable Prior Period. The average realized settlement price of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the Reporting Period was US$0.22/MMBtu as compared to US$1.34/MMBtu during the Comparable Prior Period.

The unrealized loss on financial instruments of $83.4 million in the Reporting Period resulted from a change to the fair value net liability position of $36.2 million at March 31, 2023 from the fair value net asset position of $47.2 million at December 31, 2022. The change in the fair value of the Corporation's financial instruments was primarily due to the: (i) decrease (or tightening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at March 31, 2023 as compared to the fair value previously assessed at December 31, 2022; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during 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 a period.

Royalties

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

Three months ended,	March 31, 2023	March 31, 2022
Royalty expense *($000s)*(1)	**29,308**	**30,158**
Royalty expense per boe *($)*(2)	**4.37**	**4.41**
Effective royalty rate *(%)*(2)(3)	14	11

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

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

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

Royalty expense per boe decreased by 1% from the Comparable Prior Period primarily due to a lower average realized sales price received for Birchcliff's production in the Reporting Period, partially offset by a prior period gas cost allowance adjustment of $2.6 million recorded in the Comparable Prior Period.

Operating Expense

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

Three months ended, *($000s)*	March 31, 2023	March 31, 2022
Field operating expense	27,772	24,776
Recoveries	(1,270)	(929)
Operating expense	**26,502**	**23,847**
Operating expense per boe(1)	**$3.95**	**$3.49**

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

Operating expense per boe increased by 13% from the Comparable Prior Period primarily due to: (i) higher property taxes and regulatory fees; (ii) increases in power and fuel prices, chemicals and lubricant costs and service labour and other supply costs used in Birchcliff's field operations, which together increased by 25% on a per boe basis, due to inflationary pressures; and (iii) a significant decrease in NGLs sales volumes due to the Pembina Outage in the Reporting Period.

Transportation and Other

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

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Natural gas transportation	30,129	29,968
Liquids transportation	3,331	5,550
Fractionation	1,055	2,289
Other fees	2	30
Transportation expense	34,517	37,837
Transportation expense per boe[1]	$5.14	$5.53
Marketing purchases[2]	10,625	3,569
Marketing revenue[2]	(9,438)	(4,234)
Marketing loss (gain)[3]	1,187	(665)
Marketing loss (gain) per boe[4]	$0.17	($0.10)
Transportation and other expense[3]	**35,704**	**37,172**
Transportation and other expense per boe[4]	**$5.31**	**$5.43**

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

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

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

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

Transportation and other expense per boe decreased by 2% from the Comparable Prior Period primarily due to lower liquids-handling and third-party fractionation fees that resulted from the Corporation reducing NGLs extraction from its natural gas stream due to the Pembina Outage in the Reporting Period.

Operating Netback

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

Three months ended, *($/boe)*	**March 31, 2023**	**March 31, 2022**
Pouce Coupe assets		
Petroleum and natural gas revenue(1)(2)	28.96	39.50
Royalty expense(1)	(3.65)	(3.31)
Operating expense(1)	(3.12)	(2.83)
Transportation and other expense(3)	(5.06)	(5.43)
Operating netback(3)	**17.13**	**27.93**
Gordondale assets		
Petroleum and natural gas revenue(1)(2)	35.82	45.91
Royalty expense(1)	(5.97)	(6.38)
Operating expense(1)	(5.76)	(4.63)
Transportation and other expense(3)	(5.89)	(5.43)
Operating netback(3)	**18.20**	**29.47**
Corporate(4)		
Petroleum and natural gas revenue(1)(2)	31.08	41.80
Royalty expense(1)	(4.37)	(4.41)
Operating expense(1)	(3.95)	(3.49)
Transportation and other expense(3)	(5.31)	(5.43)
Operating netback(3)	**17.45**	**28.47**

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

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

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

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

Pouce Coupe Assets

Birchcliff's operating netback for the Pouce Coupe assets decreased by 39% from the Comparable Prior Period. The decrease was primarily due to lower per boe petroleum and natural gas revenue and higher per boe royalty and operating expenses, partially offset by lower per boe transportation and other expense in the Reporting Period.

Petroleum and natural gas revenue per boe in Pouce Coupe decreased by 27% from the Comparable Prior Period primarily due to lower benchmark oil and natural gas index prices in the Reporting Period.

Royalty expense per boe in Pouce Coupe increased by 10% from the Comparable Prior Period primarily due to a prior period gas cost allowance adjustment of $1.6 million that was recorded in the Comparable Prior Period, partially offset by a lower average realized sales price received for Birchcliff's production in the Reporting Period.

Operating expense per boe in Pouce Coupe increased by 10% from the Comparable Prior Period primarily due to higher property taxes and regulatory fees and inflationary pressures on labour services and other supply costs used in Pouce Coupe's field operations in the Reporting Period.

Transportation and other expense per boe in Pouce Coupe decreased by 7% from the Comparable Prior Period primarily due to lower liquids-handling and third-party fractionation fees that resulted from the Corporation reducing NGLs extraction from its natural gas stream at the Corporation's 100% owned and operated natural gas processing plant in Pouce Coupe to mitigate the impact of the Pembina Outage in the Reporting Period.

Gordondale Assets

Birchcliff's operating netback for the Gordondale assets decreased by 38% from the Comparable Prior Period. The decrease was primarily due to lower per boe petroleum and natural gas revenue and higher per boe operating and transportation and other expenses, partially offset by lower royalty expense in the Reporting Period.

Petroleum and natural gas revenue per boe in Gordondale decreased by 22% from the Comparable Prior Period primarily due to lower benchmark oil and natural gas index prices and the Corporation reducing NGLs extraction from its natural gas stream to mitigate the impact of the Pembina Outage in the Reporting Period. On a per boe to Mcf equivalent basis, Birchcliff's NGLs generally receive a higher average realized sales price when marketed and sold separately as compared to the premium pricing received for the higher heat content in its natural gas sales volumes when NGLs are retained in the natural gas stream.

Royalty expense per boe in Gordondale decreased by 6% from the Comparable Prior Period primarily due to a lower average realized sales price received for Birchcliff's production in the Reporting Period, partially offset by a prior period gas cost allowance adjustment of $1.0 million recorded in the Comparable Prior Period.

Operating expense per boe in Gordondale increased by 24% from the Comparable Prior Period primarily due to higher property taxes and regulatory fees, inflationary pressures on labour services and other supply costs used in Gordondale's field operations and a significant decrease in NGLs sales volumes due to the Pembina Outage in the Reporting Period.

Transportation and other expense per boe in Gordondale increased by 8% from the Comparable Prior Period primarily due to lower NGLs sales volumes in the Reporting Period, partially offset by reduced liquids-handling and third-party fractionation fees that resulted from the Corporation reducing NGLs extraction from its natural gas stream at the AltaGas' deep-cut sour gas processing facility (the "**AltaGas Facility**") as a result of the Pembina Outage in 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, 2023**		**March 31, 2022**	
	($000s)	*(%)*	*($000s)*	*(%)*
Cash:				
Salaries and benefits(1)	7,504	58	6,891	63
Other(2)	5,431	42	4,071	37
G&A expense, gross	12,935	100	10,962	100
Operating overhead recoveries	(36)	-	(36)	-
Capitalized overhead(3)	(3,441)	(27)	(3,238)	(30)
G&A expense, net	9,458	73	7,688	70
G&A expense, net per boe(4)	$1.41		$1.12	
Non-cash:				
Other compensation	4,917	100	2,854	100
Capitalized compensation(3)	(2,526)	(51)	(1,374)	(48)
Other compensation, net	2,391	49	1,480	52
Other compensation, net per boe(4)	$0.36		$0.22	
Administrative expense, net	**11,849**		**9,168**	
Administrative expense, net per boe(4)	**$1.77**		**$1.34**	

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

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

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

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

Net administrative expense on an aggregate basis increased by 29% from the Comparable Prior Period primarily due to increases in net G&A expense and other compensation expense. Net G&A expense increased primarily due to higher employee-related expenses and general business costs due to inflationary pressures. Other compensation expense increased primarily due to a higher Black-Scholes fair value expense associated with stock options granted by Birchcliff.

Stock Options

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

Three months ended,	**March 31, 2023**		**March 31, 2022**	
	Number	**Price *($)*(1)**	**Number**	**Price *($)*(1)**
Outstanding, beginning	20,322,784	5.53	23,116,919	3.96
Granted(2)	22,700	8.22	63,000	6.76
Exercised	(940,086)	(2.98)	(3,323,277)	(3.13)
Forfeited	(16,200)	(6.98)	(135,000)	(4.48)
Expired	-	-	(1,643,100)	(7.84)
Outstanding, ending	**19,389,198**	**5.65**	**18,078,542**	**3.76**

(1) Calculated on a weighted average basis.

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

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff. As at March 31, 2023, there remained 404,967 performance warrants (December 31, 2022 – 404,967) outstanding with an expiry date of January 31, 2025.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved and probable reserves additions, the F&D costs attributable to those reserves, the associated future development costs required to recover those reserves and the actual production in the relevant period. The Corporation determines its D&D expense on a field-area basis. The following table sets forth Birchcliff's D&D expense for the periods indicated:

Three months ended,	March 31, 2023	March 31, 2022
Depletion and depreciation expense *($000s)*	55,464	51,102
Depletion and depreciation expense per boe *($)*(1)	8.26	7.47

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

D&D expense per boe increased by 11% from the Comparable Prior Period. The increase was primarily due to a higher depletion rate on the Corporation's developed and producing assets, primarily driven by an increase in the future development costs associated with recovering the Corporation's proved plus probable reserves since the Comparable Prior Period, and an increase in depreciation associated with the Corporation's turnaround assets and other minor capital assets.

Finance Expense

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

Three months ended, *($000s)*	March 31, 2023	March 31, 2022
Cash:		
Interest expense(1)	3,184	3,265
Interest expense per boe(1)(2)	$0.47	$0.48
Non-cash:		
Accretion(3)	1,153	864
Amortization of deferred financing fees	424	238
Other finance expenses	1,577	1,102
Other finance expenses per boe(2)	$0.23	$0.16
Finance expense	**4,761**	**4,367**
Finance expense per boe(2)	**$0.70**	**$0.64**

(1) Birchcliff's interest expense consists of interest incurred on amounts drawn under the Corporation's Credit Facilities and standby charges. Standby charges reflect fees paid by Birchcliff on the undrawn portion of its Credit Facilities. For a description of the Credit Facilities, see *"Capital Resources and Liquidity"* in this MD&A.

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

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

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, 2023	March 31, 2022
Working Capital Facility *(%)*	7.6	3.5
Syndicated Credit Facility *(%)*(1)(2)	6.6	2.3

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

(2) The Comparable Prior Period has been restated to exclude standby charges. During the Reporting Period, standby charges were $0.9 million as compared to $0.6 million in the Comparable Prior Period.

The average effective interest rates under the Working Capital Facility and Syndicated Credit Facility (as defined herein) increased from the Comparable Prior Period primarily due to increases in the prime lending rates by the Bank of Canada.

The average outstanding balance under the Syndicated Credit Facility was approximately $124.9 million in the Reporting Period as compared to $439.0 million in the Comparable Prior Period, calculated as the simple average of the month-end amounts.

Income Taxes

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

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Deferred tax recovery (expense)	11,331	(38,561)
Dividend tax expense on preferred shares	-	(687)
Deferred income tax recovery (expense)	**11,331**	**(39,248)**
Deferred income tax recovery (expense) per boe[(1)]	**$1.69**	**($5.74)**

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

Birchcliff recorded a deferred income tax recovery of $11.3 million in the Reporting Period as compared to a deferred income tax expense of $39.2 million in the Comparable Prior Period primarily due to Birchcliff incurring a net loss in the Reporting Period as compared to net income in the Comparable Prior Period.

The Corporation's estimated income tax pools were $1.3 billion at March 31, 2023. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

As at, *($000s)*	**March 31, 2023**
Canadian oil and gas property expense	289,113
Canadian development expense	355,970
Canadian exploration expense[(1)]	291,181
Undepreciated capital costs	241,561
Non-capital losses[(1)]	127,628
Scientific research and experimental development expenditures[(1)]	20,844
Investment tax credits[(2)]	3,096
Financing costs and other	4,281
Estimated income tax pools	**1,333,674**

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

(2) Immediately available to reduce any cash taxes owing in future periods.

CAPITAL EXPENDITURES

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

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Land	1,200	794
Seismic	288	251
Workovers	2,276	2,881
Drilling and completions	82,623	48,693
Well equipment and facilities	28,652	35,663
F&D capital expenditures[(1)]	115,039	88,282
Dispositions	-	(315)
FD&A capital expenditures[(2)]	115,039	87,967
Administrative assets	620	157
Total capital expenditures[(2)]	**115,659**	**88,124**

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

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

During the Reporting Period, Birchcliff had F&D capital expenditures of $115.0 million, which primarily included $81.6 million (71%) for the drilling and completions of new wells and $10.1 million (9%) on large gas gathering and pipeline infrastructure projects in Pouce Coupe. During the Reporting Period, Birchcliff drilled 14 (14.0 net) wells and brought 15 (15.0 net) wells on production.

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

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

Adjusted working capital consists of items from normal day-to-day operations which includes cash, trade receivables and payables, accruals, prepaid expenses and deposits and excludes the current portion of the fair value of financial instruments and other liabilities. The Corporation's adjusted working capital deficit[(5)] was $26.5 million at March 31, 2023 as compared to $6.6 million at December 31, 2022. The increase was primarily attributed to a decrease in the Corporation's accounts receivable, which was largely due to lower petroleum and natural gas revenue in the Reporting Period, partially offset by a decrease in the accounts payable and accrued liabilities.

At March 31, 2023, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of March 2023 production (93%), which was subsequently received in April 2023. Birchcliff continues to monitor the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations. Birchcliff's current liabilities at March 31, 2023 primarily consisted of trade payables and accrued capital and operating expenses.

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

Debt

At March 31, 2023, the Corporation's Credit Facilities were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. The agreement governing the Credit Facilities also contains provisions that give the lenders the right to redetermine the borrowing base in certain circumstances. In May 2023, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the lenders confirmed the borrowing base limit at $850.0 million. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

Total debt at March 31, 2023 was $217.9 million, an increase of 57% from $138.5 million at December 31, 2022. The increase was primarily due to F&D capital expenditures (which are typically weighted more heavily in the first half of the year) and dividends paid to common shareholders being greater than adjusted funds flow in the Reporting Period. During the Reporting Period, Birchcliff incurred $115.0 million in F&D capital expenditures, paid $53.4 million in common share dividends and generated $88.7 million in adjusted funds flow.

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

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

As at, *($000s)*	**March 31, 2023**	**December 31, 2022**
Maximum borrowing base limit:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(191,426)	(131,981)
Unamortized deferred financing fees	(3,116)	(3,541)
Outstanding letters of credit(1)	(185)	(185)
	(194,727)	(135,707)
Unused credit	**655,273**	**714,293**
% unused credit	**77%**	**84%**

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

Capital Resources and Liquidity

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

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Cash flow from operating activities	111,330	154,152
Issuance of common shares(1)	2,798	10,394
Repurchase of common shares(2)	-	(8,687)
Redemption of capital securities	-	(52)
Lease payments	(614)	(614)
Dividend distributions	(53,392)	(4,375)
Net change in revolving term credit facilities	59,021	(103,356)
Investments	(450)	(200)
Changes in non-cash working capital from investing	(3,036)	40,831
Capital resources(3)	**115,657**	**88,093**

(1) Represents common shares that have been issued pursuant to the Corporation's stock option plan.

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

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

The capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations. Birchcliff's capital resources primarily consist of its adjusted funds flow and available Credit Facilities. The Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2023 will be sufficient to fund its working capital requirements, capital program and future dividend payments in 2023. For further information, see *"Updated 2023 Guidance", "Dividends"* and *"Advisories"* in this MD&A.

At March 31, 2023, Birchcliff had a balance outstanding under its Credit Facilities of $191.4 million from available Credit Facilities of $850.0 million, leaving the Corporation with $655.3 million (77%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and additional capital resources.

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, 2023:

($000s)	**2023**	**2024**	**2025-2027**	**Thereafter**
Accounts payable and accrued liabilities	115,895	-	-	-
Drawn revolving term credit facilities	-	-	194,543	-
Firm transportation and fractionation(1)	119,260	156,194	342,373	89,005
Natural gas processing(2)	14,562	19,380	55,625	85,869
Operating commitments(3)	1,558	2,078	6,234	173
Lease payments	2,333	3,111	9,862	484
Estimated contractual obligations(4)	**253,608**	**180,763**	**608,637**	**175,531**

(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) 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, 2023 to be approximately $254.1 million and are estimated to be incurred as follows: 2023 – $3.1 million, 2024 – $3.5 million and $247.5 million thereafter. The estimate for determining the undiscounted decommissioning

obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

The Corporation does not believe it has any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial position, operational results, liquidity or capital expenditures.

SHARE INFORMATION

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, each without par value. At May 10, 2023, there were 266,021,415 common shares and no preferred shares outstanding.

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

	Common Shares
Balance at December 31, 2022	266,046,810
Issuance of common shares[1]	940,086
Balance at March 31, 2023	266,986,896
Issuance of common shares[1]	299,787
Repurchase of common shares[2]	(1,265,268)
Balance at May 10, 2023	**266,021,415**

(1) Represents common shares that have been issued pursuant to the Corporation's stock option plan.

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

At May 10, 2023, the Corporation also had the following securities outstanding: (i) 19,078,011 stock options to purchase an equivalent number of common shares; and (ii) 404,967 performance warrants to purchase an equivalent number of common shares.

Normal Course Issuer Bid

On November 17, 2022, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,295,786 of its outstanding common shares over a period of twelve months commencing on November 25, 2022 and terminating no later than November 24, 2023. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. The total number of common shares that Birchcliff is permitted to purchase on the TSX during a trading day is subject to a daily purchase limit of 455,368 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the NCIB will be cancelled.

During the Reporting Period, Birchcliff did not purchase any common shares pursuant to the NCIB. Subsequent to the Reporting Period, the Corporation purchased and cancelled 1,265,268 common shares pursuant to the NCIB at an average price of $8.10 per common share for an aggregate cost of $10.2 million, before fees.

DIVIDENDS

The following table sets forth the common share dividend distributions by the Corporation for the periods indicated:

Three months ended,	March 31, 2023	March 31, 2022
Common share dividend *($000s)*	53,392	2,658
Per common share *($)*	0.2000	0.0100

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

On May 10, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending June 30, 2023. The dividend will be payable on June 30, 2023 to shareholders of record at the close of business on June 15, 2023.

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

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Corporation's quarterly results for the eight most recently completed quarters:

Quarter ending,	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021
Average light oil production *(bbls/d)*	2,088	2,413	2,254	1,855	2,369	2,604	2,878	2,766
Average condensate production *(bbls/d)*	5,358	4,822	4,601	4,500	4,796	5,330	5,990	6,070
Average NGLs production *(bbls/d)*	3,288	7,963	7,593	6,349	7,976	7,570	6,889	7,647
Average natural gas production *(Mcf/d)*	383,145	387,604	381,788	366,256	365,296	379,275	415,005	352,694
Average production *(boe/d)*	74,592	79,799	78,079	73,746	76,024	78,716	84,924	75,265
Average realized light oil sales price *($/bbl)*(1)(2)	105.69	115.24	115.94	135.91	115.47	92.79	83.52	76.50
Average realized condensate sales price *($/bbl)*(1)(2)	105.88	114.32	115.84	138.28	121.56	98.66	88.04	81.90
Average realized NGLs sales price *($/bbl)*(1)(2)	36.69	35.80	38.18	48.26	43.56	38.24	35.13	25.27
Average realized natural gas sales price *($/Mcf)*(1)(2)	3.68	6.11	6.83	8.61	5.40	5.52	4.46	3.48
Average realized sales price *($/boe)*(1)(2)	31.07	43.63	47.26	58.75	41.79	40.02	33.70	28.27
P&NG revenue *($000s)*(1)	208,647	320,358	339,531	394,315	285,976	289,806	263,348	193,643
Operating expense *($/boe)*(2)	3.95	4.06	3.50	3.40	3.49	3.50	2.96	3.14
F&D capital expenditures *($000s)*(3)	115,039	106,762	85,330	84,247	88,282	35,726	18,026	80,887
Total capital expenditures *($000s)*(4)	115,659	107,471	86,485	86,150	88,124	36,075	18,622	81,160
Cash flow from operating activities *($000s)*	111,330	224,447	272,965	273,711	154,152	196,142	155,606	81,013
Adjusted funds flow *($000s)*(4)	88,737	217,099	267,350	285,535	183,699	193,649	168,076	90,188
Per basic common share *($)*(5)	0.33	0.82	1.01	1.08	0.69	0.73	0.63	0.34
Per diluted common share *($)*(5)	0.33	0.79	0.97	1.03	0.67	0.70	0.61	0.33
Free funds flow *($000s)*(4)	(26,302)	110,337	182,020	201,288	95,417	157,923	150,050	9,301
Net income (loss) *($000s)*	(42,548)	69,453	245,637	214,902	126,839	107,149	139,413	44,901
Net income (loss) to common shareholders *($000s)*	(42,548)	69,453	244,582	213,855	125,792	106,102	138,367	43,854
Per basic common share *($)*	(0.16)	0.26	0.92	0.81	0.47	0.40	0.52	0.16
Per diluted common share *($)*	(0.16)	0.25	0.89	0.77	0.46	0.38	0.50	0.16
Total assets *($ millions)*	3,141	3,169	3,188	3,066	3,006	2,960	2,993	2,996
Revolving term credit facilities *($000s)*	191,426	131,981	196,989	276,030	397,752	500,870	648,327	720,920
Total debt *($000s)*(6)	217,927	138,549	186,064	266,894	408,998	499,397	637,905	770,897
Dividends on common shares *($000s)*	53,392	58,503	5,317	5,310	2,658	2,646	1,330	1,333
End of period common shares outstanding								
Basic *(000s)*	266,987	266,047	265,877	265,204	266,810	264,790	265,573	266,953
Diluted *(000s)*	286,781	286,775	281,397	281,940	287,829	290,847	287,518	289,806
Weighted average common shares outstanding								
Basic *(000s)*	266,447	265,922	265,298	265,440	265,530	265,197	266,547	266,231
Diluted *(000s)*	266,447	275,567	274,223	276,015	275,980	276,600	276,282	270,155

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

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

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

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

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

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

Average daily production volumes in the last eight quarters were primarily impacted by Birchcliff's successful drilling of liquids-rich natural gas and light oil horizontal wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods. Light oil and condensate production has generally trended lower over the last eight quarters primarily due to the Corporation specifically targeting natural gas wells in liquids-rich zones in the Pouce Coupe and Gordondale areas. Production in the Reporting Period was negatively impacted by a decrease in NGLs sales volumes as a result of the Pembina Outage. Light oil and NGLs production during the second quarter of 2022 were lower compared to the other disclosed quarters due to a major scheduled turnaround at the AltaGas Facility.

P&NG revenue and adjusted funds flow in the last eight quarters were largely impacted by the average realized sales price received for Birchcliff's production. Birchcliff's average realized sales price has experienced significant volatility over the last eight quarters. The Corporation's average realized sales price in the Reporting Period decreased significantly from the prior four quarters due to the decline in benchmark oil and natural gas index prices.

Birchcliff's net income and loss in the last eight quarters were largely impacted by fluctuations in adjusted funds flow and unrealized mark-to-market gains and losses on financial instruments, which resulted from changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts and certain other adjustments, including D&D expense and deferred income tax expense and recoveries.

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

Quarterly fluctuations in the Credit Facilities and total debt are primarily driven by available free funds flow, which is impacted by changes in adjusted funds flow, the amount and timing of F&D capital expenditures and the payment of dividends. The revolving term credit facilities and total debt in the previous seven quarters had trended lower due to significant free funds flow generation, which was primarily allocated towards debt reduction in line with management's commitment to significantly reduce indebtedness. The revolving term credit facilities and total debt increased from the prior quarter primarily due to the aggregate of F&D capital expenditures (which are typically weighted more heavily in the first half of the year) and dividends paid to common shareholders being greater than adjusted funds flow in the Reporting Period.

The Corporation pays dividends on its common shares when declared and approved by the Board. The dividend payments on the Corporation's common shares increased substantially in the last two quarters as a result of the increased quarterly base dividend of $0.20 per common share that was paid in the Reporting Period and a special dividend of $0.20 per common share that was paid in the fourth quarter of 2022.

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 January 1, 2023 and ended on March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management cannot reasonably estimate the length or severity of the potential for a global economic slowdown and the ongoing political tensions arising from the Russian invasion of Ukraine, or the extent to which they will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of these economic conditions and events have been considered in management's estimates and assumptions at March 31, 2023 and have been reflected in the Corporation's results.

RISK FACTORS

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. A detailed discussion of the risk factors affecting the Corporation is presented under the heading "*Risk Factors*" in the AIF and MD&A for the year ended December 31, 2022.

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash operating working capital. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period to period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Adjusted funds flow can also be derived from petroleum and natural gas revenue less royalty expense, operating expense, transportation and other expense, net G&A expense, interest expense and any realized losses (plus realized gains) on financial instruments and plus any other cash income and expense sources. Management believes that adjusted funds flow assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, buy back common shares and pay dividends.

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

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

The most directly comparable GAAP financial measure to adjusted funds flow, free funds flow and excess free funds flow is cash flow from operating activities. The following table provides a reconciliation of cash flow from operating activities to adjusted funds flow, free funds flow and excess free funds flow for the periods indicated:

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2023**	**2022**	**2022**
Cash flow from operating activities	**111,330**	**154,152**	**925,275**
Change in non-cash operating working capital	(22,967)	28,830	25,662
Decommissioning expenditures	374	717	2,746
Adjusted funds flow	**88,737**	**183,699**	**953,683**
F&D capital expenditures	(115,039)	(88,282)	(364,621)
Free funds flow	**(26,302)**	**95,417**	**589,062**
Dividends on common shares	(53,392)	(2,658)	(71,788)
Excess free funds flow	**(79,694)**	**92,759**	**517,274**

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

Capital Resources

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

FD&A and Total Capital Expenditures

Birchcliff defines "FD&A capital expenditures" as exploration and development expenditures, less dispositions, plus acquisitions (if any). Birchcliff defines "total capital expenditures" as FD&A capital expenditures plus administrative assets. Management believes that FD&A capital expenditures and total capital expenditures assist management and investors in assessing Birchcliff's overall capital cost structure associated with its petroleum and natural gas activities. The most directly comparable GAAP financial measure to FD&A capital expenditures and total capital expenditures is exploration and development expenditures. The following table provides a reconciliation of exploration and development expenditures to FD&A capital expenditures and total capital expenditures for the periods indicated:

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Exploration and development expenditures[(1)]	**115,039**	**88,282**
Dispositions	-	(315)
FD&A capital expenditures	**115,039**	**87,967**
Administrative assets	620	157
Total capital expenditures	**115,659**	**88,124**

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

Transportation and Other Expense and Marketing Gains and Losses

Birchcliff defines "transportation and other expense" as transportation expense plus marketing loss (less marketing gain), which denotes marketing purchases less marketing revenue. Birchcliff may enter into certain marketing purchase and sales arrangements with the objective of reducing any available transportation and/or fractionation fees associated with its take-or-pay commitments. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation activities. Management believes that marketing gains and losses assists management and investors in assessing the success of Birchcliff's marketing arrangements. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to marketing gains and losses and transportation and other expense for the periods indicated:

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Transportation expense	**34,517**	**37,837**
Marketing purchases	10,625	3,569
Marketing revenue	(9,438)	(4,234)
Marketing (gain) loss	**1,187**	**(665)**
Transportation and other expense	**35,704**	**37,172**

Operating Netback

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

Three months ended, *($000s)*	**March 31, 2023**	**March 31, 2022**
Petroleum and natural gas revenue	134,316	173,054
Royalty expense	(16,942)	(14,489)
Operating expense	(14,453)	(12,398)
Transportation and other expense	(23,486)	(23,802)
Operating netback – Pouce Coupe assets	**79,435**	**122,365**
Petroleum and natural gas revenue	74,102	112,601
Royalty expense	(12,357)	(15,652)
Operating expense	(11,921)	(11,347)
Transportation and other expense	(12,177)	(13,318)
Operating netback – Gordondale assets	**37,647**	**72,284**
Petroleum and natural gas revenue	208,647	285,976
Royalty expense	(29,308)	(30,158)
Operating expense	(26,502)	(23,847)
Transportation and other expense	(35,704)	(37,172)
Operating netback – Corporate	**117,133**	**194,799**

Non-GAAP Ratios

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

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

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

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

Free Funds Flow Per Basic Common Share

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

Transportation and Other Expense Per Boe

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

Marketing Gains and Losses Per Boe

Birchcliff calculates "marketing gain per boe" and "marketing loss per boe" as aggregate marketing gain or loss (as the case may be) in the period divided by the production (boe) in the period. Management believes that marketing gains and losses per boe assists management and investors in assessing the success of Birchcliff's marketing arrangements by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Operating Netback Per Boe

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

Supplementary Financial Measures

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

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

Capital Management Measures

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

Total Debt and Adjusted Working Capital Deficit

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

As at, *($000s)*	March 31, 2023	December 31, 2022	March 31, 2022
Revolving term credit facilities	**191,426**	**131,981**	**397,752**
Working capital deficit (surplus)[(1)]	49,365	(7,902)	46,213
Fair value of financial instruments – asset[(2)]	7,585	17,729	4,684
Fair value of financial instruments – liability[(2)]	(27,942)	(1,345)	(1,435)
Other liabilities[(2)]	(2,507)	(1,914)	-
Capital securities	-	-	(38,216)
Adjusted working capital deficit	**26,501**	**6,568**	**11,246**
Total debt[(3)]	**217,927**	**138,549**	**408,998**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

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

ADVISORIES

Unaudited Information

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

Currency

All references to "$" and "CDN$" are to Canadian dollars and all references to "US$" are to United States dollars.

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

This MD&A contains metrics commonly used in the oil and natural gas industry, including operating netback. 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. 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 operating netback and how such metric is calculated, see *"Non-GAAP and Other Financial Measures"* in this MD&A.

F&D Capital Expenditures

Unless otherwise stated, references in this MD&A to "F&D capital expenditures" denotes exploration and development expenditures as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any net acquisitions and dispositions, administrative assets and the capitalized portion of cash incentive payments that have not been approved by the Board. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff's capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this MD&A relate to future events or Birchcliff's future plans, strategy, operations, performance or financial position and are based on Birchcliff's current expectations, estimates, projections, beliefs and assumptions. Such forward-looking statements have been made by Birchcliff in light of the information available to it at the time the statements were made and reflect its experience and perception of historical trends. All statements and information other than historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "plan", "focus", "future", "outlook", "position", "expect", "project", "intend", "believe", "anticipate", "estimate", "forecast", "guidance", "potential", "proposed", "predict", "budget", "continue", "targeting", "may", "will", "could", "might", "should", "would", "on track", "maintain", "deliver" and other similar words and expressions.

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

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

- Birchcliff's plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals;
- the information set forth under the heading *"Updated 2023 Guidance"* as it relates to Birchcliff's outlook and guidance, including: that as a result of the ongoing impact of the Pembina Outage, Birchcliff currently expects that it will be on the low end of its annual average production guidance range of 77,000 to 80,000 boe/d; that the Pembina Outage will be resolved in the near-term; that the Corporation is drilling an additional 2 (2.0 net) wells in the Elmworth area; that as a result of lower anticipated adjusted funds flow in 2023, Birchcliff now expects to fund its capital program and dividend payments in 2023 through a combination of adjusted funds flow and the Corporation's Credit Facilities, which is anticipated to result in higher total debt at year-end 2023 than previously forecast; that the significant unutilized credit capacity under its Credit Facilities provides the Corporation with substantial financial flexibility and additional capital resources; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base common share dividend, excess free funds flow, total debt at year end and natural gas market exposure in 2023; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow in 2023; and that the forecast of total debt at December 31, 2023 is expected to be comprised of any amounts outstanding under the Credit Facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the year;
- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: the Corporation's expectation that counterparties will be able to meet their financial obligations; that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; that Birchcliff's capital resources primarily consist of its adjusted funds flow and available Credit Facilities; and that the Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2023 will be sufficient to fund its working capital requirements, capital program and future dividend payments in 2023;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations;
- the Corporation's belief that it does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a future effect on the Corporation's financial position, operational results, liquidity or capital expenditures;

- statements relating to the NCIB, including: potential purchases under the NCIB; and the cancellation of common shares under the NCIB;
- statements regarding potential transactions; and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices which are expected to decrease the average realized sales prices the Corporation receives for its production; and that the forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023.

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

- With respect to Birchcliff's 2023 guidance (as updated on May 10, 2023), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Updated 2023 Guidance".* In addition:
  - Birchcliff's production guidance assumes that: the 2023 capital program will be carried out as currently contemplated; that the Pembina Outage is resolved in May 2023, with no further significant outages or restrictions occurring on such system for the remainder of 2023; no other unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any other transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
  - Birchcliff's forecast of F&D capital expenditures assumes that the 2023 capital program will be carried out as currently contemplated and excludes any net potential acquisitions and dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
  - Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds

flow takes into account its physical and financial basis swap contracts outstanding as at May 1, 2023 and excludes cash incentive payments that have not been approved by the Board.

- o Birchcliff's forecast of excess free funds flow assumes that: the forecasts of adjusted funds flow and free funds flow are achieved; and an annual base dividend of $0.80 per common share is paid during 2023 and there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid.
- o Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved, with the level of capital spending for 2023 met and the payment of an annual base dividend of $213 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no further buybacks of common shares during 2023; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023; (v) there are no equity issuances during 2023; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.
- o Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu; and (iii) 22,000 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its physical and financial basis swap contracts outstanding as at May 1, 2023.

- With respect to statements of future wells to be drilled, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19), epidemics and global conflict (including the Russian invasion of Ukraine) and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2023); general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with Birchcliff's Credit Facilities, including a failure to comply with covenants under the agreement governing the Credit Facilities and the risk that the borrowing base limit may be redetermined; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to operate its assets and achieve expected future results; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry; political uncertainty and uncertainty associated with government policy changes; actions by government authorities; an inability of the Corporation to comply with existing and future laws and the cost of compliance with such laws; dependence on facilities, gathering lines and pipelines; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of the Board to declare dividends and change the Corporation's dividend policy and the risk that the amount of dividends may be less than currently forecast; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; and the accuracy of the Corporation's accounting estimates and judgments.

The declaration and payment of any future dividends are subject to the discretion of the Board and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other risk factors that could affect results of operations, financial performance or financial results are included in 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, 2023**	**December 31, 2022**
ASSETS		
Current assets:		
Cash	72	74
Accounts receivable	77,524	125,005
Prepaid expenses and deposits	11,798	12,140
Financial instruments *(Note 12)*	7,585	17,729
	96,979	154,948
Non-current assets:		
Investments *(Note 13)*	9,497	10,961
Petroleum and natural gas properties and equipment *(Note 3)*	3,033,187	2,972,592
Financial instruments *(Note 12)*	1,726	30,864
	3,044,410	3,014,417
Total assets	**3,141,389**	**3,169,365**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	115,895	143,787
Financial instruments *(Note 12)*	27,942	1,345
Other liabilities *(Note 9)*	2,507	1,914
	146,344	147,046
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	191,426	131,981
Decommissioning obligations *(Note 5)*	95,069	99,720
Deferred income taxes	343,785	355,115
Other liabilities *(Note 9)*	22,928	22,850
Financial instruments *(Note 12)*	17,553	-
	670,761	609,666
Total liabilities	**817,105**	**756,712**
SHAREHOLDERS' EQUITY		
Common share capital *(Note 6)*	1,434,713	1,430,944
Contributed surplus	90,362	86,560
Retained earnings	799,209	895,149
	2,324,284	2,412,653
Total shareholders' equity and liabilities	**3,141,389**	**3,169,365**

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, 2023	March 31, 2022
REVENUE		
Petroleum and natural gas revenue *(Note 8)*	208,647	285,976
Marketing revenue *(Note 8)*	9,438	4,234
Royalties	(29,308)	(30,158)
Realized loss on financial instruments *(Note 12)*	(15,811)	(199)
Unrealized gain (loss) on financial instruments *(Note 12)*	(83,432)	34,675
Other income	57	53
	89,591	294,581
EXPENSES		
Operating	26,502	23,847
Transportation	34,517	37,837
Marketing purchases *(Note 8)*	10,625	3,569
Administrative, net	11,849	9,168
Depletion and depreciation *(Note 3)*	55,464	51,102
Finance	4,761	4,367
Dividends on capital securities	-	670
Other gains *(Notes 5 & 13)*	(248)	(2,066)
	143,470	128,494
Net income (loss) before taxes	(53,879)	166,087
Deferred income tax recovery (expense)	11,331	(39,248)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(42,548)**	**126,839**
Net income (loss) per common share *(Note 7)*		
Basic	**($0.16)**	**$0.47**
Diluted	**($0.16)**	**$0.46**

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, 2021	1,463,424	41,434	90,924	321,821	1,917,603
Issuance of common shares *(Notes 6 & 10)*	13,918	-	(3,524)	-	10,394
Repurchase of common shares *(Note 6)*	(8,687)	-	-	-	(8,687)
Dividends on common shares *(Note 6)*	-	-	-	(2,658)	(2,658)
Dividends on perpetual preferred shares	-	-	-	(1,047)	(1,047)
Stock-based compensation *(Note 10)*	-	-	2,713	-	2,713
Net income and comprehensive income	-	-	-	126,839	126,839
As at March 31, 2022	**1,468,655**	**41,434**	**90,113**	**444,955**	**2,045,157**
As at December 31, 2022	1,430,944	-	86,560	895,149	2,412,653
Issuance of common shares *(Notes 6 & 10)*	3,769	-	(971)	-	2,798
Dividends on common shares *(Note 6)*	-	-	-	(53,392)	(53,392)
Stock-based compensation *(Note 10)*	-	-	4,773	-	4,773
Net loss and comprehensive loss	-	-	-	(42,548)	(42,548)
As at March 31, 2023	**1,434,713**	**-**	**90,362**	**799,209**	**2,324,284**

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, 2023**	**March 31, 2022**
Cash provided by (used in):		
OPERATING		
Net income (loss)	(42,548)	126,839
Adjustments for items not affecting operating cash:		
Unrealized loss (gain) on financial instruments *(Note 12)*	83,432	(34,675)
Depletion and depreciation *(Note 3)*	55,464	51,102
Other compensation	2,391	1,480
Finance	4,761	4,367
Other gains	(248)	(2,066)
Deferred income tax (recovery) expense	(11,331)	39,248
Interest paid	(3,184)	(3,266)
Dividends on capital securities	-	670
Decommissioning expenditures *(Note 5)*	(374)	(717)
Changes in non-cash working capital	22,967	(28,830)
	111,330	154,152
FINANCING		
Issuance of common shares *(Note 6)*	2,798	10,394
Repurchase of common shares *(Note 6)*	-	(8,687)
Repurchase of capital securities	-	(52)
Lease payments *(Note 9)*	(614)	(614)
Dividend distributions *(Note 6)*	(53,392)	(4,375)
Net change in revolving term credit facilities *(Note 4)*	59,021	(103,356)
	7,813	(106,690)
INVESTING		
Exploration and development *(Note 3)*	(115,039)	(88,282)
Dispositions *(Note 3)*	-	315
Administrative assets *(Note 3)*	(620)	(157)
Investments	(450)	(200)
Changes in non-cash working capital	(3,036)	40,831
	(119,145)	(47,493)
Net change in cash	(2)	(31)
Cash, beginning of period	74	63
CASH, END OF PERIOD	**72**	**32**

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, 2023

Unaudited (Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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

These unaudited interim condensed financial statements were approved and authorized for issuance by the Board of Directors (the "**Board**") on May 10, 2023.

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, 2023, including the 2022 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, 2022. 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 unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2022.

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

Current Environment and Estimation Uncertainty

Benchmark oil and natural gas prices continue to remain volatile during the three months ended March 31, 2023 primarily due to the potential for a global economic slowdown attributed to rising inflation and interest rates, ongoing geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages, which have increased inflationary pressures on global economies. These events and economic conditions remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial condition and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and conditions, or the extent to which they will impact the Corporation long-term.

Climate Change and Environmental Reporting Regulations

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop an environment sustainability disclosure framework that is accepted globally. In addition, the Canadian Securities Administrators have proposed National Instrument 51-107 – *Disclosure of Climate-related Matters*, with additional climate-related disclosure requirements for Canadian Public Corporations. If the Corporation is unable to meet future sustainability reporting requirements of regulators or current and future expectations of stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolved over time, has not yet been quantified.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2021	389	4,377,505	20,078	23,648	4,421,620
Additions	17	330,114	-	1,576	331,707
Acquisitions	-	2,776	-	-	2,776
Dispositions	-	(315)	-	-	(315)
As at December 31, 2022	406	4,710,080	20,078	25,224	4,755,788
Additions	-	114,488	951	620	116,059
As at March 31, 2023(1)	406	4,824,568	21,029	25,844	4,871,847
Accumulated depletion and depreciation:					
As at December 31, 2021	-	(1,543,943)	(5,981)	(19,464)	(1,569,388)
Depletion and depreciation expense(2)	-	(210,049)	(2,035)	(1,724)	(213,808)
As at December 31, 2022	-	(1,753,992)	(8,016)	(21,188)	(1,783,196)
Depletion and depreciation expense(2)	-	(54,572)	(509)	(383)	(55,464)
As at March 31, 2023	-	(1,808,564)	(8,525)	(21,571)	(1,838,660)
Net book value:					
As at December 31, 2022	**406**	**2,956,088**	**12,062**	**4,036**	**2,972,592**
As at March 31, 2023	**406**	**3,016,004**	**12,504**	**4,273**	**3,033,187**

(1) The Corporation's PP&E were pledged as security for its revolving term credit facilities. Although the Corporation believes that it has title to its PP&E, it cannot control or completely protect itself against the risk of title disputes and challenges. There were no borrowing costs capitalized to the Corporation's PP&E.

(2) Future development costs required to develop and produce proved and probable oil and gas reserves totalled approximately $4.6 billion at March 31, 2023 (December 31, 2022 – $4.5 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies indicators of impairment at the end of a reporting period. At March 31, 2023 and December 31, 2022, Birchcliff determined there were no impairment indicators present and therefore an impairment test was not required.

4. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's credit facilities include:

As at, ***($000s)***	**March 31, 2023**	**December 31, 2022**
Syndicated credit facility	190,107	109,201
Working capital facility	4,435	26,321
Drawn revolving term credit facilities	194,542	135,522
Unamortized deferred financing fees	(3,116)	(3,541)
Revolving term credit facilities	**191,426**	**131,981**

At March 31, 2023, the aggregate principal amount of the Corporation's credit facilities was $850.0 million with maturity dates of May 11, 2025 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million (collectively, the "**Credit Facilities**.").

In May 2023, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the lenders confirmed the borrowing base limit at $850.0 million. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

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.

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $254.1 million at March 31, 2023 (December 31, 2022 – $281.0 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**March 31, 2023**	**December 31, 2022**
Balance, beginning	99,720	140,603
Obligations incurred	627	4,004
Obligations acquired	-	428
Obligations divested	-	(19)
Changes in estimated future cash flows(1)	(3,704)	(44,996)
Accretion	962	3,248
Decommissioning expenditures(2)	(2,536)	(3,548)
Balance, ending(3)	**95,069**	**99,720**

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

(2) Includes $0.8 million and $2.2 million of funding from the Alberta Site Rehabilitation Program for the 2022 and 2023 periods, respectively, that were recorded to income as "other gains".

(3) Birchcliff applied an inflation rate of 1.68% and a discount nominal risk-free rate of 3.02% to calculate the present value of the decommissioning obligations at March 31, 2023 and an inflation rate of 2.09% and a discount nominal risk-free rate of 3.28% at December 31, 2022.

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.

(b) Number of common shares issued and outstanding:

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

As at, *(000s)*	**March 31, 2023**	**December 31, 2022**
Outstanding at beginning of period	266,047	264,790
Issuance of common shares(1)	940	7,597
Repurchase of common shares(2)	-	(6,340)
Outstanding at end of period	**266,987**	**266,047**

(1) Relates to the exercise of stock options and performance warrants during the period (if any).

(2) On November 17, 2022, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,295,786 of its outstanding common shares over a period of twelve months commencing on November 25, 2022 and terminating no later than November 24, 2023. Under the 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 455,368 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares under the NCIB will be cancelled. During the three months ended March 31, 2023, the Corporation did not purchase any common shares pursuant to the NCIB. Subsequent to March 31, 2023, the Corporation purchased and cancelled 1,265,268 common shares pursuant to the NCIB at an average price of $8.10 per common share for an aggregate cost of $10.2 million, before fees.

Dividends

The following table sets forth the common share dividend distributions by the Corporation:

Three months ended,	**March 31, 2023**	**March 31, 2022**
Common share dividend *($000s)*	53,392	2,658
Per common share *($)*	0.2000	0.0100

On January 18, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending March 31, 2023. The dividend was paid on March 31, 2023 to shareholders of record at the close of business on March 15, 2023. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

7. EARNINGS (LOSS) PER SHARE

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

Three months ended,	March 31, 2023	March 31, 2022
Net income (loss) to common shareholders (*$000s*)(1)	(42,548)	125,792
Weighted average basic common shares outstanding *(000s)*	266,447	265,530
Dilutive securities *(000s)*	-	10,450
Weighted average diluted common shares outstanding *(000s)*(2)	266,447	275,980
Per basic common share *($)*	**(0.16)**	**0.47**
Per diluted common share *($)*	**(0.16)**	**0.46**

(1) Net income for the period ending March 31, 2022 has been reduced by the dividends on Series A Preferred Shares totalling $1.0 million in determining the net income to common shareholders.

(2) As the Corporation reported a loss for the three months ended March 31, 2023, the basic and diluted weighted average common shares outstanding are the same for the period and all dilutive securities were considered anti-dilutive. The weighted average diluted common shares outstanding excludes 5,505,300 stock options that were anti-dilutive for the three months ended March 31, 2022.

8. REVENUE

The following table sets forth Birchcliff's petroleum and natural gas ("**P&NG**") sales and revenue by source:

Three months ended, *($000s)*	March 31, 2023	March 31, 2022
Light oil sales	19,862	24,624
Condensate(1)	51,062	52,466
NGLs sales(2)	10,855	31,265
Natural gas sales	126,822	177,610
P&NG sales(3)(4)	208,601	285,965
Royalty income	46	11
P&NG revenue	208,647	285,976
Marketing revenue(5)	9,438	4,234
Revenue from contracts with customers	**218,085**	**290,210**

(1) Consists of pentanes plus.

(2) Consists of ethane, propane and butane.

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

(4) Included in accounts receivable at March 31, 2023 was $72.2 million (March 31, 2022 – $112.6 million) in P&NG sales to be received from its marketers in respect of March 2023 production, which was subsequently received in April 2023.

(5) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. For the three months ended March 31, 2023, the Corporation had marketing purchases from third parties of $10.6 million (March 31, 2022 – $3.6 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligations

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 $15.3 million at March 31, 2023 (December 31, 2022 – $15.3 million).

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

As at, *($000s)*	March 31, 2023	December 31, 2022
Balance, beginning	11,170	9,895
Obligations incurred(1)	145	1,091
Accretion	49	184
Balance, ending(2)	**11,364**	**11,170**
Current portion	-	-
Long-term portion	11,364	11,170

(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 obligations at March 31, 2023 and December 31, 2022.

Lease Obligations

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $14.7 million at March 31, 2023 (December 31, 2022 – $15.3 million) and is expected to be settled by 2029. A reconciliation of the discounted lease obligations is set forth below:

As at, *($000s)*	March 31, 2023	December 31, 2022
Balance, beginning	13,594	15,434
Lease payments	(614)	(2,458)
Change in estimate	949	-
Accretion	142	618
Balance, ending(1)	**14,071**	**13,594**
Current portion	2,507	1,914
Long-term portion	11,564	11,680

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligations at March 31, 2023 and December 31, 2022.

10. SHARE-BASED PAYMENT

Stock Options

At March 31, 2023, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,698,690 (March 31, 2022 – 26,681,049) common shares. At March 31, 2023, there remained 7,309,492 (March 31, 2022 – 8,602,507) stock options available for issuance. For the stock options exercised during 2023, the weighted average common share trading price on the TSX was $8.38 (March 31, 2022 – $6.80) per common share.

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

Three months ended March 31,		2023		2022
	Number	Price *($)*(1)	Number	Price *($)*(1)
Outstanding, beginning	20,322,784	5.53	23,116,919	3.96
Granted(2)	22,700	8.22	63,000	6.76
Exercised	(940,086)	(2.98)	(3,323,277)	(3.13)
Forfeited	(16,200)	(6.98)	(135,000)	(4.48)
Expired	-	-	(1,643,100)	(7.84)
Outstanding, ending	**19,389,198**	**5.65**	**18,078,542**	**3.76**

(1) Calculated on a weighted average basis.

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

The weighted average fair value per option granted during the three months ended March 31, 2023 was $2.49 (March 31, 2022 – $3.20). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2023, the Corporation applied a weighted average estimated forfeiture rate of 7.3% (March 31, 2022 – 7.8%).

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

Three months ended,	March 31, 2023	March 31, 2022
Risk-free interest rate	3.6%	1.6%
Expected life *(years)*	4.1	4.1
Expected volatility	62.3%	61.7%
Dividend yield	8.5%	0.3%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 2023 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	6,360,086	2.24	2.03	4,773,911	2.09	2.11
3.01	6.00	1,796,778	1.08	3.60	1,684,776	0.94	3.57
6.01	9.00	5,413,534	3.71	6.59	1,767,754	3.68	6.54
9.01	11.65	5,818,800	4.69	9.38	-	-	-
		19,389,198	**3.28**	**5.65**	**8,226,441**	**2.20**	**3.36**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff. As at March 31, 2023, there remained 404,967 performance warrants (December 31, 2022 – 404,967) outstanding with an expiry date of January 31, 2025.

11. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available debt capacity and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the three months ended March 31, 2023.

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

As at, *($000s)*	March 31, 2023	December 31, 2022
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(191,426)	(131,981)
Unamortized deferred financing fees	(3,116)	(3,541)
Outstanding letters of credit[(2)]	(185)	(185)
	(194,727)	(135,707)
Unused credit	**655,273**	**714,293**

(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 2023, the borrowing base limit was confirmed at $850.0 million and the maturity date was confirmed at May 11, 2025.

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

The capital structure of the Corporation is as follows:

As at, *($000s)*	March 31, 2023	December 31, 2022	% Change
Shareholders' equity(1)	**2,324,284**	**2,412,653**	**(4)**
Shareholders' equity as a % of total capital	91%	95%	
Revolving term credit facilities	191,426	131,981	
Working capital deficit (surplus)(2)	49,365	(7,902)	
Fair value of financial instruments - asset(3)	7,585	17,729	
Fair value of financial instruments - liability(3)	(27,942)	(1,345)	
Other liabilities(3)	(2,507)	(1,914)	
Adjusted working capital deficit (surplus)(4)	26,501	6,568	
Total debt	**217,927**	**138,549**	**57**
Total debt as a % of total capital	9%	5%	
Total capital	**2,542,211**	**2,551,202**	**(0)**

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

(2) Current liabilities less current assets.

(3) Reflects the current portion only.

(4) Represents items related to the day-to-day operations of Birchcliff and excludes the current portion of financial instruments and other liabilities where the benefit or obligation has not been realized by the Corporation.

12. RISK MANAGEMENT

Birchcliff is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board 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:

As at, *($000s)*	March 31, 2023	March 31, 2022
Realized loss	(15,811)	(199)
Unrealized gain (loss)	(83,432)	34,675

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 P&NG are not only influenced by Canadian ("**CDN**") and the United States ("**US**") demand, but also by world events that dictate the levels of supply and demand globally.

Financial Derivative Contracts

At March 31, 2023, 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, 2023, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[1]	Contract Price	Asset (Liability) *($000s)*
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	(5,727)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	(2,217)
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	(6,054)
Natural gas	AECO 7A basis swap[2]	15,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	(3,792)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(1,335)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(1,269)
Natural gas	AECO 7A basis swap[2]	12,500 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	(3,269)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	(2,593)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	(2,123)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	(1,855)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	(3,474)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Apr. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	(1,778)
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	(4,057)
Natural gas	AECO 7A basis swap[2]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	(4,020)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	(232)
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	(534)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	(89)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu	121
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.992/MMBtu	(917)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.980/MMBtu	(160)
Natural gas	AECO 7A basis swap[2]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu	1,605
				Fair value	**(43,769)**

(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, 2023, 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, 2023 would have changed by approximately $18.3 million.

The following financial derivative contracts were entered into subsequent to March 31, 2023 to manage commodity price risk:

Product	Type of Contract	Quantity	Remaining Term[1]	Contract Price
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.940/MMBtu
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.940/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.

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

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to March 31, 2023.

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, 2023, Birchcliff had the following financial derivative contracts in place in order to manage interest rate risk:

Type of Contract	Index	Remaining Term[(1)]	Notional Amount *($million)*	Fixed Rate *(%)*	Fair Value Asset *($000s)*
Interest rate swap	One-month banker's acceptance – CDOR[(2)]	Apr. 1, 2023 – Mar. 1, 2024	350	2.215	**7,585**

(1) All transactions have been aggregated and presented at the weighted average rate.

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

At March 31, 2023, 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, 2023 would have changed by approximately $0.2 million. There were no financial derivative contracts entered into subsequent to March 31, 2023 to manage interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its P&NG sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended March 31, 2023.

13. INVESTMENTS

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

As at March 31, 2023, the Corporation determined the Securities had a fair value of $7.8 million (December 31, 2022 – $9.4 million). Birchcliff recorded a loss on investment of approximately $1.5 million during the three months ended March 31, 2023 compared to a gain on investment of $1.8 million during the three months ended March 31, 2022.

During the three months ended March 31, 2023, Birchcliff redeemed 138,669 Preferred Trust Units (March 31, 2022 – Nil) and 62,401 Common A Units (March 31, 2022 – Nil) for aggregate proceeds of $0.1 million.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Jeff Tonken
Chief Executive Officer

Christopher Carlsen
President and Chief Operating Officer

Bruno Geremia
Executive Vice President and
Chief Financial Officer

Myles Bosman
Executive Vice President, Exploration

David Humphreys
Executive Vice President, Operations

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

Hue Tran
Vice President, Business Development and
Marketing

Theo van der Werken
Vice President, Engineering

DIRECTORS

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

Dennis Dawson
Independent Lead Director
Calgary, Alberta

Debra Gerlach
Independent Director
Calgary, Alberta

Stacey McDonald
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of Information Technology

Tyler Murray
Mineral Land, Acquisitions and Dispositions
Manager

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager, Human Resources and
Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling and Completions Manager

Victor Sandhawalia
Manager of Finance

Daniel Sharp
Manager of Geology

Ryan Sloan
Health and Safety Manager

Duane Thompson
Production Manager

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The Bank of Nova Scotia
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National Bank of Canada
Canadian Imperial Bank of Commerce
Bank of Montreal
ATB Financial
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Wells Fargo Bank, N.A., Canadian Branch
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