BIRCHCLIFF ENERGY LTD. ANNOUNCES Q2 2024 RESULTS, STRONG WELL RESULTS AND DECLARATION OF Q3 2024 DIVIDEND

Calgary, Alberta (August 14, 2024) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q2 2024 financial and operational results. Birchcliff is also pleased to announce that its board of directors (the "**Board**") has declared a quarterly cash dividend of $0.10 per common share for the quarter ending September 30, 2024.

"We continued with the successful execution of our capital program in the second quarter, bringing 11 wells on production. These wells are exceeding our internal projections, with strong initial production rates that contributed to our solid quarterly average production of 78,358 boe/d. Driven by the outperformance of our capital program year-to-date, we are tightening our 2024 production guidance range to 75,000 to 77,000 boe/d (previously 74,000 boe/d to 77,000 boe/d)," stated Chris Carlsen, President and Chief Executive Officer of Birchcliff. "We will continue to build off this operational momentum throughout the remainder of the year as we bring the last 11 wells of our capital program on production in the fourth quarter, when natural gas prices are forecasted to be stronger."

"We continue to evaluate and implement initiatives aimed at improving efficiencies and reducing our costs, such as our new long-term contract operating agreement whereby we assumed operatorship of AltaGas' deep-cut gas processing facility in Gordondale. This new arrangement allows us to leverage various cost optimization opportunities across our core producing assets, which is expected to drive costs lower. Moving forward, we are well positioned to deliver improved capital efficiencies through stronger well performance and efficient execution in 2024 and beyond."

Q2 2024 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved average production of 78,358 boe/d (83% natural gas, 8% NGLs, 6% condensate and 3% light oil).
- Generated adjusted funds flow[(1)] of $53.7 million, or $0.20 per basic common share[(2)], and cash flow from operating activities of $26.9 million.
- Reported net income to common shareholders of $46.4 million, or $0.17 per basic common share.
- Birchcliff's market diversification initiatives contributed to an average realized natural gas sales price of $1.82/Mcf[(3)], which represented a 27% premium to the average benchmark AECO 7A Monthly Index price in Q2 2024.
- Birchcliff entered into a long-term contract operating agreement (the "**COA**") with AltaGas Ltd. ("**AltaGas**"). Pursuant to the COA, Birchcliff assumed operatorship of AltaGas' Gordondale deep-cut gas processing facility (the "**Gordondale Facility**") effective July 1, 2024. This arrangement will allow Birchcliff to leverage cost optimization opportunities that exist between its 100% owned and operated gas plant in Pouce Coupe and the Gordondale Facility, which are located approximately six miles apart and are pipeline connected. These optimization opportunities are expected to drive lower operating costs, reduce downtime and optimize NGLs recoveries for Birchcliff. For further details, see the joint press release of Birchcliff and AltaGas dated June 13, 2024.

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

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

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

- During the quarter, Birchcliff brought 11 wells on production, which have exhibited strong average initial production rates. See *"Operational Update"*.
  - Birchcliff's 2-well 02-27 natural gas pad in Gordondale achieved an average per well IP 30 rate of 1,462 boe/d (7,390 Mcf/d of raw natural gas and 230 bbls/d of condensate).[4]
  - Birchcliff's 4-well 01-10 light oil pad in Gordondale achieved an average per well IP 30 rate of 840 boe/d (1,627 Mcf/d of raw natural gas and 569 bbls/d of light oil).[4]
  - Birchcliff's 5-well 16-17 natural gas pad in Pouce Coupe achieved an average per well IP 30 rate of 1,481 boe/d (8,681 Mcf/d of raw natural gas and 34 bbls/d of condensate).[4]
- F&D capital expenditures were $48.4 million in the quarter.
- Total debt[5] at June 30, 2024 was $465.2 million.
- Birchcliff extended the maturity date of its extendible revolving credit facilities (the "**Credit Facilities**") to May 11, 2027, while maintaining the borrowing base limit at $850 million.

Birchcliff's unaudited interim condensed financial statements for the three and six months ended June 30, 2024 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR+ at www.sedarplus.ca.

DECLARATION OF Q3 2024 QUARTERLY DIVIDEND

- Birchcliff's Board has declared a quarterly cash dividend of $0.10 per common share for the quarter ending September 30, 2024.
- The dividend will be payable on September 27, 2024 to shareholders of record at the close of business on September 13, 2024. The ex-dividend date is September 13, 2024. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

*This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. For further information regarding the forward-looking statements and forward-looking information 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" 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".*

(4) See *"Advisories – Initial Production Rates".*

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

Q2 2024 UNAUDITED FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
OPERATING				
Average production				
Light oil *(bbls/d)*	2,419	1,936	1,972	2,012
Condensate *(bbls/d)*	4,467	5,462	4,616	5,411
NGLs *(bbls/d)*	6,634	6,811	7,015	5,059
Natural gas *(Mcf/d)*	389,026	379,807	379,657	381,467
Total *(boe/d)*	**78,358**	**77,510**	**76,880**	**76,059**
Average realized sales prices *(CDN$)*[1]				
Light oil *(per bbl)*	104.70	89.89	101.04	98.04
Condensate *(per bbl)*	106.56	98.18	103.31	101.97
NGLs *(per bbl)*	26.56	22.86	27.10	27.33
Natural gas *(per Mcf)*	1.82	2.67	2.21	3.18
Total *(per boe)*	**20.61**	**24.28**	**22.17**	**27.59**
NETBACK AND COST *($/boe)*				
Petroleum and natural gas revenue[1]	20.61	24.28	22.18	27.60
Royalty expense	(0.96)	(1.09)	(1.52)	(2.69)
Operating expense	(3.43)	(3.64)	(3.63)	(3.79)
Transportation and other expense[2]	(5.44)	(5.53)	(5.23)	(5.43)
Operating netback[2]	**10.78**	**14.02**	**11.80**	**15.69**
G&A expense, net	(1.25)	(1.51)	(1.26)	(1.46)
Interest expense	(1.28)	(0.64)	(1.22)	(0.56)
Realized loss on financial instruments	(0.73)	(1.88)	(0.77)	(2.11)
Other cash income (expense)	0.01	(0.12)	0.01	(0.05)
Adjusted funds flow[2]	**7.53**	**9.87**	**8.56**	**11.51**
Depletion and depreciation expense	(8.53)	(8.00)	(8.54)	(8.13)
Unrealized gain (loss) on financial instruments	9.92	6.84	3.45	(2.56)
Other expenses[3]	(0.40)	(0.66)	(0.47)	(0.61)
Deferred income tax expense	(2.02)	(1.99)	(0.76)	(0.20)
Net income to common shareholders	**6.50**	**6.06**	**2.24**	**0.01**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*[1]	146,976	171,291	310,280	379,938
Cash flow from operating activities *($000s)*	26,871	62,353	92,126	173,683
Adjusted funds flow *($000s)*[4]	53,664	69,650	119,745	158,387
Per basic common share *($)*[2]	0.20	0.26	0.45	0.59
Free funds flow *($000s)*[4]	5,283	4,895	(31,409)	(21,407)
Per basic common share *($)*[2]	0.02	0.02	(0.12)	(0.08)
Net income to common shareholders *($000s)*	46,380	42,753	31,345	205
Per basic common share *($)*	0.17	0.16	0.12	-
End of period basic common shares *(000s)*	269,131	266,222	269,131	266,222
Weighted average basic common shares *(000s)*	268,878	266,354	268,391	266,400
Dividends on common shares *($000s)*	26,907	53,241	53,764	106,633
F&D capital expenditures *($000s)*[5]	48,381	64,755	151,154	179,794
Total capital expenditures *($000s)*[4]	48,702	65,241	152,186	180,900
Revolving term credit facilities *($000s)*	481,163	281,354	481,163	281,354
Total debt *($000s)*[6]	465,195	278,521	465,195	278,521

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

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

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

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

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

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

OUTLOOK AND GUIDANCE

Update on 2024 Capital Program

Pouce Coupe and Gordondale

- Birchcliff's 2024 capital program contemplates that 27 (27.0 net) wells will be brought on production in 2024, of which 16 (16.0 net) wells have been brought onstream year-to-date. The remaining 11 (11.0 net) wells are scheduled to be brought on production in Q4 2024, when natural gas prices are forecasted to be stronger.
- Birchcliff's 2024 capital program also includes the drilling of 2 (2.0 net) wells in Q4 2024 and various ancillary activities to prepare for the efficient execution of its 2025 capital program.

Elmworth

- As previously disclosed in January and May of this year, Birchcliff continues to evaluate further investment in Elmworth in order to protect, optimize and further its long-term development strategy for this significant Montney asset.
- The Corporation has made the strategic decision to drill 1 (1.0 net) horizontal well and 1 (1.0 net) vertical well in Elmworth in Q3 2024, neither of which will be completed this year. These wells will provide Birchcliff with the opportunity to continue a significant number of sections of Montney lands in Elmworth, as well as increase the Corporation's inventory and reservoir expertise in the area.
- The additional F&D capital associated with the drilling of these wells was not contemplated in the Corporation's original 2024 capital program and is expected to be in the range of $5 million to $10 million. By incurring these capital expenditures in 2024, this is expected to reduce the Corporation's required investment in Elmworth in 2025.

For further details regarding the Corporation's 2024 capital program and recent well results, see *"Operational Update"*.

Updated 2024 Guidance

Birchcliff is updating its guidance to reflect its current commodity price forecast and other assumptions for 2024 and its financial and operational results for the first half of the year.

- As noted above, Birchcliff is tightening its annual average production guidance to 75,000 to 77,000 boe/d to reflect the outperformance of its capital program year-to-date.
- Birchcliff is lowering its guidance for royalty expense per boe to reflect a lower commodity price forecast in 2024.
- The Corporation is lowering its 2024 guidance for operating expense per boe to reflect lower power and fuel costs forecasted for the remainder of the year.
- Birchcliff is updating its F&D capital expenditures guidance to $250 million to $270 million (previously $240 million to $260 million) to reflect the additional capital associated with the drilling of the two additional wells in Elmworth.
- The Corporation is lowering its guidance for adjusted funds flow and free funds flow, primarily to reflect a lower commodity price forecast in 2024. This lower anticipated adjusted funds flow is expected to result in higher total debt at year-end 2024 than previously forecast.

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2024, as well as its free funds flow sensitivity:

	Updated 2024 guidance and assumptions – August 14, 2024[(1)]	Previous 2024 guidance and assumptions – May 15, 2024
Production		
Annual average production *(boe/d)*	75,000 – 77,000	74,000 – 77,000
% Light oil	3%	3%
% Condensate	6%	6%
% NGLs	10%	10%
% Natural gas	81%	81%
Average Expenses *($/boe)*		
Royalty	1.80 – 2.00	2.30 – 2.50
Operating	3.70 – 3.90	3.85 – 4.05
Transportation and other[(2)]	5.30 – 5.50	5.30 – 5.50
Adjusted Funds Flow *(millions)*[(3)]	$250	$270
F&D Capital Expenditures *(millions)*	$250 – $270	$240 – $260
Free Funds Flow *(millions)*[(3)]	$0 – ($20)	$10 – $30
Annual Base Dividend *(millions)*	$108[(4)]	$107
Total Debt at Year End *(millions)*[(5)]	$495 – $515	$465 – $485
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	17%[(6)]	17%
Dawn exposure as a % of total natural gas production	44%[(6)]	44%
NYMEX HH exposure as a % of total natural gas production	37%[(6)]	37%
Alliance exposure as a % of total natural gas production	2%[(6)]	2%
Commodity Prices		
Average WTI price *(US$/bbl)*	79.05[(7)]	82.50
Average WTI-MSW differential *(CDN$/bbl)*	6.95[(7)]	6.00
Average AECO price *(CDN$/GJ)*	1.75[(7)]	2.05
Average Dawn price *(US$/MMBtu)*	2.05[(7)]	2.15
Average NYMEX HH price *(US$/MMBtu)*	2.35[(7)]	2.40
Exchange rate *(CDN$ to US$1)*	1.37[(7)]	1.36

Forward five months' free funds flow sensitivity[(7)(8)]	**Estimated change to 2024 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$1.2
Change in NYMEX HH US$0.10/MMBtu	$2.5
Change in Dawn US$0.10/MMBtu	$3.4
Change in AECO CDN$0.10/GJ	$1.3
Change in CDN/US exchange rate CDN$0.01	$1.4

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2024 is based on an annual average production rate of 76,000 boe/d in 2024, which is the mid-point of Birchcliff's updated annual average production guidance range for 2024. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

(4) Assumes that an annual base dividend of $0.40 per common share is paid and that there are approximately 269 million common shares outstanding, with no special dividends paid. The declaration of future dividends is subject to the approval of the Board and is subject to change.

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

(6) Birchcliff's natural gas market exposure for 2024 takes into account its outstanding financial basis swap contracts.

(7) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2024 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, 2024 to July 31, 2024.

(8) 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 2024, 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.

Birchcliff is reviewing the accounting treatment for the COA under IFRS Accounting Standards and the associated impact on its financial statements, which will be reflected in the Corporation's Q3 2024 results. Accordingly, the guidance set forth herein does not reflect the impact of the COA. Birchcliff does not anticipate that the borrowing base limit and amounts available under its Credit Facilities or its forecast of total debt will be affected by the accounting treatment for the COA.

Although natural gas prices are forecasted to remain challenged through the middle part of 2024, the Corporation remains bullish on the long-term outlook for natural gas and it expects prices to improve due to the anticipated increased demand from the start-up of various North American LNG projects and gas-fired power generation. In the current commodity price environment, Birchcliff is committed to the development of its world-class Montney asset base and shareholder returns, while maintaining a strong balance sheet. In alignment with its commitment to maintain a strong balance sheet, the Corporation is continuing to target a total debt to forward annual adjusted funds flow ratio of less than 1.0 times in the long-term.

The Corporation has initiated its formal budgeting process for 2025 and expects to release its preliminary 2025 budget on November 14, 2024, along with its Q3 2024 results.

Changes in assumed commodity prices and variances in production forecasts can have an impact on the Corporation's forecasts of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact could be material. In addition, any acquisitions or dispositions completed over the course of 2024 could have an impact on Birchcliff's 2024 guidance and assumptions set forth herein, which impact could be material. For further information, see *"Advisories – Forward-Looking Statements".*

Q2 2024 FINANCIAL AND OPERATIONAL RESULTS

Production

- Birchcliff's production averaged 78,358 boe/d in Q2 2024, a 1% increase from Q2 2023. The increase was primarily due to the strong performance of the Corporation's capital program and the successful drilling of new Montney/Doig wells brought on production since Q2 2023, partially offset by natural production declines and maintenance and optimization projects completed in Q2 2024. As a result of lower natural gas prices in Q2 2024, the Corporation opportunistically performed multiple maintenance and optimization projects in the quarter that required periods of shut-in production volumes. See *"Operational Update".*
- Liquids accounted for 17% of Birchcliff's total production in Q2 2024 as compared to 18% in Q2 2023. The decrease was largely due to the Corporation primarily targeting horizontal natural gas wells and natural production declines from light oil and liquids-rich natural gas wells producing since Q2 2023, partially offset by significant incremental light oil production from the new 4-well 01-10 pad in Gordondale brought on production in Q2 2024.

Adjusted Funds Flow and Cash Flow From Operating Activities

- Birchcliff's adjusted funds flow was $53.7 million in Q2 2024, or $0.20 per basic common share, both of which decreased by 23% from Q2 2023.
- Birchcliff's cash flow from operating activities was $26.9 million in Q2 2024, a 57% decrease from Q2 2023.
- The decreases were primarily due to lower natural gas revenue, which was largely impacted by a 32% decrease in the average realized sales price Birchcliff received for its natural gas production in Q2 2024, and a higher interest expense as compared to Q2 2023. The decreases were partially offset by a lower realized loss on financial instruments and decreases in G&A, operating and royalty expenses as compared to Q2 2023.

Net Income to Common Shareholders

- Birchcliff reported net income to common shareholders of $46.4 million in Q2 2024, or $0.17 per basic common share, an 8% and 6% increase, respectively, from Q2 2023. The increases were primarily due to an unrealized gain on financial instruments of $70.7 million in Q2 2024 as compared to $48.2 million in Q2 2023, partially offset by lower adjusted funds flow.

Debt and Credit Facilities

- Total debt at June 30, 2024 was $465.2 million, a 67% increase from June 30, 2023.
- At June 30, 2024, Birchcliff had a balance outstanding under its Credit Facilities of $485.8 million (June 30, 2023: $281.4 million) from available Credit Facilities of $850.0 million (June 30, 2023: $850.0 million), leaving the Corporation with $364.2 million (43%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees.

Natural Gas Market Diversification

- Birchcliff's physical natural gas sales exposure 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 sets forth Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q2 2024, after taking into account the Corporation's financial instruments:

Three months ended June 30, 2024						
	Effective sales *(CDN$000s)*	**Percentage of total sales** *(%)*	**Effective production** *(per day)*	**Percentage of total natural gas production** *(%)*	**Percentage of total corporate production** *(%)*	**Effective average realized sales price** *(CDN$)*
Market						
AECO(1)(2)	11,959	7	92,056 Mcf	24	20	1.43/Mcf
Dawn(3)	35,084	22	161,234 Mcf	41	34	2.39/Mcf
NYMEX HH(1)(4)	32,864	20	135,736 Mcf	35	29	2.66/Mcf
Total natural gas(1)	**79,907**	**49**	**389,026 Mcf**	**100**	**83**	**2.26/Mcf**
Light oil	23,045	14	2,419 bbls		3	104.70/bbl
Condensate	43,318	27	4,467 bbls		6	106.56/bbl
NGLs	16,037	10	6,634 bbls		8	26.56/bbl
Total liquids	**82,400**	**51**	**13,520 bbls**		**17**	**66.97/bbl**
Total corporate(1)	**162,307**	**100**	**78,358 boe**		**100**	**22.76/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) 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 Q2 2024 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

(3) 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.

(4) NYMEX HH effective sales and production include financial NYMEX HH/AECO 7A basis swap contracts for an aggregate of 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.12/MMBtu during Q2 2024.

Birchcliff's effective average realized sales price for NYMEX HH of CDN$2.66/Mcf (US$1.79/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.66/Mcf (US$1.12/MMBtu) and includes any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q2 2024.

After giving effect to the NYMEX HH/AECO 7A fixed contract basis differential price and including any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q2 2024, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$1.00/Mcf (US$0.67/MMBtu) in Q2 2024.

The following table sets forth Birchcliff's physical 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 June 30, 2024							
Natural gas market	**Natural gas sales[1]** *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price[1]** *(CDN$/Mcf)*	**Natural gas transportation costs[2]** *(CDN$/Mcf)*	**Natural gas sales netback[3]** *(CDN$/Mcf)*
AECO	28,987	45	223,382	57	1.44	0.41	1.04
Dawn	35,084	54	161,234	42	2.39	1.47	0.92
Alliance[4]	475	1	4,410	1	1.18	-	1.18
Total	**64,546**	**100**	**389,026**	**100**	**1.82**	**0.85**	**0.98**
Three months ended June 30, 2023							
Natural gas market	**Natural gas sales[1]** *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price[1]** *(CDN$/Mcf)*	**Natural gas transportation costs[2]** *(CDN$/Mcf)*	**Natural gas sales netback[3]** *(CDN$/Mcf)*
AECO	46,334	50	205,501	54	2.47	0.45	2.02
Dawn	42,489	46	160,032	42	2.92	1.51	1.41
Alliance[4]	3,625	4	14,274	4	2.79	-	2.79
Total	**92,448**	**100**	**379,807**	**100**	**2.67**	**0.88**	**1.78**

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

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

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

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

Capital Activities and Investment

- In Q2 2024, Birchcliff drilled 1 (1.0 net) well and brought 11 (11.0 net) wells on production, with F&D capital expenditures of $48.4 million.

OPERATIONAL UPDATE

Capital Program Overview

- Year-to-date, the Corporation has drilled 20 (20.0 net) wells and brought 16 (16.0 net) wells on production, with 6 (6.0 net) wells left to be drilled and 11 (11.0 net) wells left to be brought on production.
- As a result of optimized field development designs, utilizing higher intensity completions and tighter cluster spacing, the 2024 capital program wells have exhibited strong production rates, exceeding the Corporation's internal estimates. These strong production results, combined with the Corporation's efficient execution of its capital program, are expected to drive improved capital efficiencies in 2024 as compared to 2023.
- As a result of lower natural gas prices in Q2 2024, the Corporation opportunistically performed multiple maintenance and optimization projects in the quarter that required periods of shut-in production volumes. These proactive projects are expected to reduce downtime in Q4 2024 when natural gas prices are forecasted to be stronger.

The following table sets forth the wells that are part of the Corporation's updated full-year 2024 drilling program, including the remaining wells to be drilled and brought on production in 2024:

		Number of wells to be drilled in 2024(1)	Number of wells drilled as at August 14, 2024	Number of wells to be brought on production in 2024	Number of wells on production as at August 14, 2024(1)
Pouce Coupe					
04-30 (5-well pad)	Montney D1	0(2)	0(2)	5	5
16-17 (5-well pad)	BD/UM	1	1	1	1
	Montney D1	3	3	3	3
	Montney D4	1	1	1	1
16-15 (6-well pad)	Montney D1	6	5	6	0
10-22 (5-well pad)	Montney D1	5	4	5	0
04-05 (5-well pad)	Montney D1	2	0	0(3)	0
Gordondale					
02-27 (2-well pad)	Montney D1	1	1	1	1
	Montney D2	1	1	1	1
01-10 (4-well pad)	Montney D1	4	4	4	4
Elmworth					
13-09 vertical	Montney	1	0	0	0
01-28 horizontal	Montney	1	0	0	0
	TOTAL	**26**	**20**	**27**	**16**

(1) All wells are natural gas wells, except for the 4-well 01-10 pad, which targeted light oil wells.

(2) The five wells drilled on the 04-30 pad were drilled in December 2023.

(3) It is currently anticipated that these wells will be brought on production in Q1 2025.

Pouce Coupe

- Birchcliff completed the drilling of its 5-well 16-17 pad in February 2024. Three of the wells were turned over to production through Birchcliff's permanent facilities in April 2024 and the remaining two wells were turned over to production in May 2024. This pad targeted high-rate natural gas wells, with three wells in the Lower Montney and two wells in the Upper Montney. The table below summarizes the aggregate and average production rates for the wells from the pad:

5-Well 16-17 Pad IP Rates

	Wells: IP 30(1)	Wells: IP 60(1)
Aggregate production rate *(boe/d)*	**7,404**	**6,487**
Aggregate natural gas production rate *(Mcf/d)*	43,403	38,016
Aggregate condensate production rate *(bbls/d)*	170	151
Average per well production rate *(boe/d)*	**1,481**	**1,297**
Average per well natural gas production rate *(Mcf/d)*	8,681	7,603
Average per well condensate production rate *(bbls/d)*	34	30
Condensate-to-gas ratio *(bbls/MMcf)*	**4**	**4**

(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. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes. See *"Advisories – Initial Production Rates"*.

- The drilling on Birchcliff's 6-well 16-15 pad and 5-well 10-22 pad in Pouce Coupe is substantially complete, with 1 (1.0 net) well remaining to be rig released on each pad. These pads are both targeting the Lower Montney and the 11 (11.0 net) wells are scheduled to be brought on production in Q4 2024.

- In order to prepare for the efficient execution of its 2025 capital program, Birchcliff plans to drill 2 (2.0 net) wells in Q4 2024 as part of a 5-well pad in Pouce Coupe (the 04-05 pad). These wells are planned to be drilled in the Lower Montney and brought on production in early Q1 2025. In addition, Birchcliff plans to allocate capital towards the drilling of various surface holes, pad-site construction and other activities to prepare for its 2025 capital program.

Gordondale

- Birchcliff completed the drilling of its 2-well 02-27 pad in March 2024 and the wells were turned over to production through Birchcliff's permanent facilities in late April 2024. This pad targeted liquids-rich natural gas wells in the Lower Montney. The table below summarizes the aggregate and average production rates for the wells from the pad:

2-Well 02-27 Pad IP Rates

	Wells: IP 30[(1)]	**Wells: IP 60**[(1)]
Aggregate production rate *(boe/d)*	**2,923**	**2,805**
Aggregate natural gas production rate *(Mcf/d)*	14,780	14,457
Aggregate condensate production rate *(bbls/d)*	460	396
Average per well production rate *(boe/d)*	**1,462**	**1,403**
Average per well natural gas production rate *(Mcf/d)*	7,390	7,228
Average per well condensate production rate *(bbls/d)*	230	198
Condensate-to-gas ratio *(bbls/MMcf)*	**31**	**27**

(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. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes. See *"Advisories – Initial Production Rates"*.

- Birchcliff completed the drilling of its 4-well 01-10 pad in March 2024 and the wells were turned over to production through Birchcliff's permanent facilities in late May 2024. This pad targeted light oil wells in the Lower Montney. The table below summarizes the aggregate and average production rates for the wells from the pad:

4-Well 01-10 Pad IP Rates

	Wells: IP 30[(1)]	**Wells: IP 60**[(1)]
Aggregate production rate *(boe/d)*	**3,360**	**2,922**
Aggregate natural gas production rate *(Mcf/d)*	6,509	6,579
Aggregate light oil production rate *(bbls/d)*	2,275	1,825
Average per well production rate *(boe/d)*	**840**	**730**
Average per well natural gas production rate *(Mcf/d)*	1,627	1,645
Average per well light oil production rate *(bbls/d)*	569	456
Light oil-to-gas ratio *(bbls/MMcf)*	**350**	**277**

(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. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes. See *"Advisories – Initial Production Rates"*.

Elmworth

- The Corporation has made the strategic decision to drill 1 (1.0 net) horizontal well and 1 (1.0 net) vertical well in Elmworth in Q3 2024, neither of which will be completed this year. These wells will provide Birchcliff with the opportunity to continue a significant number of sections of Montney lands in Elmworth, as well as increase the Corporation's inventory and reservoir expertise in the area.

ESG UPDATE

Recent amendments to the *Competition Act* (Canada) introduced in Bill C-59, which received Royal Assent in June 2024, have created considerable uncertainty as to how Canadian companies can publicly communicate their environmental and climate performance and progress. As a result, Birchcliff has temporarily suspended its ESG reporting until further clarity is provided by the Canadian Competition Bureau regarding the application and interpretation of these amendments. Birchcliff remains fully committed to ESG performance and transparency with its stakeholders.

ABBREVIATIONS

AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
bbl	barrel
bbls	barrels
bbls/d	barrels per day
BD/UM	Basal Doig/Upper Montney
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
condensate	pentanes plus (C5+)
ESG	environmental, social and governance
F&D	finding and development
G&A	general and administrative
GAAP	generally accepted accounting principles for Canadian public companies, which are currently IFRS
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
IP	initial production
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
Q	quarter
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" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below.

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 and Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures, retirement benefit payments 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. Birchcliff eliminates retirement benefit payments from cash flow from operating activities as such payments reflect costs for past service and contributions made by eligible executives under the Corporation's post-employment benefit plan, which are not indicative of the current period. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow 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 common share dividends, 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 and 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 and free funds flow for the periods indicated:

	Three months ended June 30,		**Six months ended June 30,**		**Twelve months ended December 31,**
($000s)	**2024**	**2023**	**2024**	**2023**	**2023**
Cash flow from operating activities	**26,871**	**62,353**	**92,126**	**173,683**	**320,529**
Change in non-cash operating working capital	26,578	6,137	13,415	(16,830)	(19,477)
Decommissioning expenditures	215	1,160	353	1,534	3,775
Retirement benefit payments	-	-	13,851	-	2,000
Adjusted funds flow	**53,664**	**69,650**	**119,745**	**158,387**	**306,827**
F&D capital expenditures	(48,381)	(64,755)	(151,154)	(179,794)	(304,637)
Free funds flow	**5,283**	**4,895**	**(31,409)**	**(21,407)**	**2,190**

Birchcliff has disclosed in this press release forecasts of adjusted funds flow and free funds flow for 2024, which are forward-looking non-GAAP financial measures (see *"Outlook and Guidance – Updated 2024 Guidance"*). The equivalent historical non-GAAP financial measures are adjusted funds flow and free funds flow for the twelve months ended December 31, 2023. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow and free funds flow to be lower than their respective historical amounts primarily due to lower anticipated natural gas prices. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading *"Outlook and Guidance – Updated 2024 Guidance"*.

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 unused transportation or fractionation fees associated with its take-or-pay commitments and/or increasing the value of its production through value-added downstream initiatives. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation and marketing 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 June 30,		**Six months ended June 30,**		**Twelve months ended December 31,**
($000s)	**2024**	**2023**	**2024**	**2023**	**2023**
Transportation expense	**39,928**	**39,347**	**76,553**	**73,864**	**152,828**
Marketing purchases	14,950	6,601	22,061	17,226	34,772
Marketing revenue	(16,046)	(6,914)	(25,514)	(16,352)	(30,521)
Transportation and other expense	**38,832**	**39,034**	**73,100**	**74,738**	**157,079**

Operating Netback

Birchcliff defines "operating netback" as petroleum and natural gas revenue less royalty expense, operating expense and transportation and other expense. Operating netback is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. 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 June 30,		Six months ended June 30,	
($000s)	**2024**	**2023**	**2024**	**2023**
Petroleum and natural gas revenue	146,976	171,291	310,280	379,938
Royalty expense	(6,824)	(7,657)	(21,291)	(36,965)
Operating expense	(24,422)	(25,707)	(50,849)	(52,209)
Transportation and other expense	(38,832)	(39,034)	(73,100)	(74,738)
Operating netback	**76,898**	**98,893**	**165,040**	**216,026**

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 to 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 June 30,		Six months ended June 30,	
($000s)	**2024**	**2023**	**2024**	**2023**
Exploration and development expenditures[(1)]	**48,381**	**64,755**	**151,154**	**179,794**
Dispositions	-	(77)	(109)	(77)
Administrative assets	321	563	1,141	1,183
Total capital expenditures	**48,702**	**65,241**	**152,186**	**180,900**

(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 contracts 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 the 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 to 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, *($000s)*	**June 30, 2024**	**June 30, 2023**
Natural gas sales	**64,546**	**92,448**
Realized loss on financial instruments	(5,170)	(13,239)
Notional fixed basis costs[(1)]	20,531	20,517
Effective total natural gas sales	**79,907**	**99,726**
Light oil sales	23,045	15,837
Condensate sales	43,318	48,799
NGLs sales	16,037	14,169
Effective total corporate sales	**162,307**	**178,531**

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

Non-GAAP Ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. The non-GAAP ratios used in this press release are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies. 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. Operating netback per boe is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. 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 the 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.

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 plus working capital deficit (less working capital surplus) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments and less the current portion of other liabilities discounted 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)*	**June 30, 2024**	**December 31, 2023**	**June 30, 2023**
Revolving term credit facilities	**481,163**	**372,097**	**281,354**
Working capital deficit (surplus)(1)	(40,836)	13,084	12,772
Fair value of financial instruments – asset(2)	30,005	3,588	7,979
Fair value of financial instruments – liability(2)	-	(1,394)	(9,516)
Other liabilities(2)	(5,137)	(5,069)	(14,068)
Total debt	**465,195**	**382,306**	**278,521**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three and six months ended June 30, 2024 and 2023 is unaudited.

Currency

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, 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 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".*

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 2-well 02-27, 4-well 01-10 and 5-well 16-17 pads 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 applicable pad and then divided by 2, 4 or 5, as applicable, 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.

“Condensate-to-gas ratio” and “light oil-to-gas ratio” are calculated by dividing the average per well condensate or light oil production rate, as applicable, by the average per well natural gas production rate and multiplying the product by 1,000.

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 acquisitions, 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: that Birchcliff will continue to build off the operational momentum throughout the remainder of the year as it brings the last 11 wells of its capital program on production in the fourth quarter, when natural gas prices are forecasted to be stronger; that Birchcliff continues to evaluate and implement initiatives aimed at improving efficiencies and reducing its costs, such as the COA whereby the Corporation assumed operatorship of the Gordondale Facility; that this arrangement allows the Corporation to leverage various cost optimization opportunities across its core producing assets, which is expected to drive costs lower; and that moving forward, the Corporation is well positioned to deliver improved capital efficiencies through stronger well performance and efficient execution in 2024 and beyond;
- statements relating to the COA, including: that this arrangement will allow Birchcliff to leverage cost optimization opportunities that exist between its 100% owned and operated gas plant in Pouce Coupe and the Gordondale Facility; and that these optimization opportunities are expected to drive lower operating costs, reduce downtime and optimize NGLs recoveries for Birchcliff;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this press release as it relates to Birchcliff's outlook and guidance, including: forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, total debt at year end and natural gas market exposure in 2024; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2024; that lower power and fuel costs are forecasted for the remainder of the year; that lower anticipated adjusted funds flow is expected to result in higher total debt at year-end 2024 than previously forecast; that the accounting treatment for the COA under IFRS Accounting Standards and the associated impact on its financial statements will be reflected in the Corporation's Q3 2024 results; that Birchcliff does not anticipate that the borrowing base limit and amounts available under its Credit Facilities or its forecast of total debt will be affected by the accounting treatment for the COA; that although natural gas prices are forecasted to remain challenged through the middle part of 2024, the Corporation remains bullish on the long-term outlook for natural gas and it expects prices to improve due to the anticipated increased demand from the start-up of various North American LNG projects and gas-fired power generation; that in the current commodity price environment, Birchcliff is committed to the development of its world-class Montney asset base and shareholder returns, while maintaining a strong balance sheet; that in alignment with its commitment to maintain a strong balance sheet, the Corporation is continuing to target a total debt to forward annual adjusted funds flow ratio of less than 1.0 times in the long-term; and that the Corporation expects to release its preliminary 2025 budget on November 14, 2024, along with its Q3 2024 results;
- the information set forth under the headings *"Outlook and Guidance"* and "*Operational Update*" and elsewhere in this press release as it relates to Birchcliff's capital programs and its exploration, production and development activities and the timing thereof, including: estimates of F&D capital expenditures and statements regarding capital allocation; the anticipated number, types and timing of wells and pads to be drilled and brought on production and targeted product types; that Birchcliff's 2024 capital program also includes the drilling of 2 (2.0 net) wells in Q4 2024 and various ancillary activities to prepare for the efficient execution of its 2025 capital program; that Birchcliff continues to evaluate further investment in Elmworth in order to protect, optimize and further its long-term development strategy for this significant Montney asset; that the drilling of 1 (1.0 net) horizontal well and 1 (1.0 net) vertical well in Elmworth will provide Birchcliff with the opportunity to continue a significant number of sections of Montney lands in Elmworth, as well as increase the Corporation's inventory and reservoir expertise in the Elmworth area; that the F&D capital associated with the drilling of these two wells is expected to be in the range of $5 million to $10 million and that by incurring these capital expenditures in 2024, this is expected to reduce the Corporation's required investment in Elmworth in 2025; that the Corporation's strong production results, combined with its efficient execution of its capital program, are expected to drive improved capital efficiencies in 2024 as compared to 2023; that the maintenance and optimization projects completed by the Corporation in Q2 2024 are expected to reduce downtime in Q4 2024 when natural gas prices are forecasted to be stronger; and that Birchcliff plans to allocate capital towards the drilling of various surface holes, pad-site construction and other activities to prepare for its 2025 capital program;

- 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 and free funds flow to be lower than their respective historical amounts primarily due to lower anticipated natural gas prices.

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 obtain the anticipated benefits of the COA; 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 2024 guidance (as updated on August 14, 2024), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance – Updated 2024 Guidance"*. In addition:
  - Birchcliff's production guidance assumes that: the 2024 capital program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
  - Birchcliff's forecast of F&D capital expenditures assumes that the 2024 capital program will be carried out as currently contemplated and excludes any potential acquisitions, 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 2024 capital program will be carried out as currently contemplated and the level of capital spending for 2024 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 financial basis swap contracts outstanding as at August 8, 2024 and excludes cash incentive payments that have not been approved by the Board.
  - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow and free funds flow are achieved, with the level of capital spending for 2024 met and the payment of an annual base dividend of approximately $108 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations

is allocated towards debt reduction; (iii) there are no buybacks of common shares during 2024; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2024; (v) there are no equity issuances during 2024; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2024. 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) 147,500 MMBtu/d being contracted on a financial basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.12/MMBtu; and (iii) 8,014 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 financial basis swap contracts outstanding as at August 8, 2024.

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

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: 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; an inability of Birchcliff to generate sufficient cash flow from operations to meet its current and future obligations; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with the 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 risk that weather events such as wildfires, flooding, droughts or extreme hot or cold temperatures forces the Corporation to shut-in production or otherwise adversely affects the Corporation's operations; the occurrence of unexpected events such as fires, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; risks associated with supply chain disruptions; 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 uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures; 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; the risks posed by pandemics, epidemics and global conflict (including the Russian invasion of Ukraine and the Israel-Hamas conflict) 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; stock market volatility; loss of market demand; 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 (including uncertainty with respect to the interpretation of Bill C-59 and the related amendments to the *Competition Act* (Canada)); 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 realize the anticipated benefits of the COA; 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; the accuracy of the Corporation's accounting estimates and judgments; and 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).

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 Birchcliff's results of operations, financial performance or financial results are included in Birchcliff's annual information form and annual management's discussion and analysis for the financial year ended December 31, 2023 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

This press release contains information that may constitute future-oriented 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.

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 and FOFI contained in this press release are expressly qualified by the foregoing cautionary statements. The forward-looking statements and FOFI 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 or FOFI, whether as a result of new information, future events or otherwise.

ABOUT BIRCHCLIFF:

Birchcliff is a dividend-paying, intermediate oil and natural gas company based in Calgary, Alberta 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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Chris Carlsen – President and Chief Executive 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 August 14, 2024 is with respect to the three and six months ended June 30, 2024 (the "**Reporting Periods**") as compared to the three and six months ended June 30, 2023 (the "**Comparable Prior Periods**"). This MD&A has been prepared by management and approved by the Corporation's audit committee and board of directors (the "**Board**") and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the Reporting Periods (the "**financial statements**") and the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

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

With respect to the disclosure of Birchcliff's production contained in this MD&A: (i) references to "light oil" mean "light crude oil and medium crude oil" as such term is defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"); (ii) 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 dividend-paying, intermediate oil and natural gas company based in Calgary, Alberta 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, 2023 (the "**AIF**"), is available on the SEDAR+ website at www.sedarplus.ca and on the Corporation's website at www.birchcliffenergy.com.

Q2 2024 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved quarterly average production of 78,358 boe/d (83% natural gas, 8% NGLs, 6% condensate and 3% light oil).
- Generated quarterly adjusted funds flow(1) of $53.7 million, or $0.20 per basic common share(2), and cash flow from operating activities of $26.9 million.
- Reported quarterly net income to common shareholders of $46.4 million, or $0.17 per basic common share.
- Birchcliff's market diversification initiatives contributed to an average realized natural gas sales price of $1.82/Mcf(3), which represented a 27% premium to the average benchmark AECO 7A Monthly Index price in the three month Reporting Period.
- Birchcliff entered into a long-term contract operating agreement (the "**COA**") with AltaGas Ltd. ("**AltaGas**"). Pursuant to the COA, Birchcliff assumed operatorship of AltaGas' Gordondale deep-cut gas processing facility (the "**Gordondale Facility**") effective July 1, 2024. This arrangement will allow Birchcliff to leverage cost optimization opportunities that exist between its 100% owned and operated gas plant in Pouce Coupe and the Gordondale Facility, which are located approximately six miles apart and are pipeline connected. These optimization opportunities are expected to drive lower operating costs, reduce downtime and optimize NGLs recoveries for Birchcliff. For further details, see the joint press release of Birchcliff and AltaGas dated June 13, 2024.
- During the three month Reporting Period, Birchcliff brought 11 wells on production, which have exhibited strong average initial production rates.
- F&D capital expenditures were $48.4 million in the three month Reporting Period.
- Total debt(4) at June 30, 2024 was $465.2 million.
- Birchcliff extended the maturity date of its extendible revolving credit facilities (the "**Credit Facilities**") to May 11, 2027, while maintaining the borrowing base limit at $850 million.

UPDATED 2024 GUIDANCE

Birchcliff is updating its guidance to reflect its current commodity price forecast and other assumptions for 2024 and its financial and operational results for the Reporting Periods.

- Birchcliff is tightening its annual average production guidance to 75,000 to 77,000 boe/d to reflect the outperformance of its capital program year-to-date.
- Birchcliff is lowering its guidance for royalty expense per boe to reflect a lower commodity price forecast in 2024.
- The Corporation is lowering its 2024 guidance for operating expense per boe to reflect lower power and fuel costs forecasted for the remainder of the year.
- Birchcliff is updating its F&D capital expenditures guidance to $250 million to $270 million (previously $240 million to $260 million) to reflect the additional capital associated with the drilling of two additional wells in Elmworth.
- The Corporation is lowering its guidance for adjusted funds flow and free funds flow, primarily to reflect a lower commodity price forecast in 2024. This lower anticipated adjusted funds flow is expected to result in higher total debt at year-end 2024 than previously forecast.

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

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

The following tables set forth Birchcliff's updated and previous guidance and commodity price assumptions for 2024, as well as its free funds flow sensitivity:

	Updated 2024 guidance and assumptions – August 14, 2024[(1)]	Previous 2024 guidance and assumptions – May 15, 2024
Production		
Annual average production *(boe/d)*	75,000 – 77,000	74,000 – 77,000
% Light oil	3%	3%
% Condensate	6%	6%
% NGLs	10%	10%
% Natural gas	81%	81%
Average Expenses *($/boe)*		
Royalty	1.80 – 2.00	2.30 – 2.50
Operating	3.70 – 3.90	3.85 – 4.05
Transportation and other[(2)]	5.30 – 5.50	5.30 – 5.50
Adjusted Funds Flow *(millions)*[(3)]	$250	$270
F&D Capital Expenditures *(millions)*	$250 – $270	$240 – $260
Free Funds Flow *(millions)*[(3)]	$0 – ($20)	$10 – $30
Annual Base Dividend *(millions)*	$108[(4)]	$107
Total Debt at Year End *(millions)*[(5)]	$495 – $515	$465 – $485
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	17%[(6)]	17%
Dawn exposure as a % of total natural gas production	44%[(6)]	44%
NYMEX HH exposure as a % of total natural gas production	37%[(6)]	37%
Alliance exposure as a % of total natural gas production	2%[(6)]	2%
Commodity Prices		
Average WTI price *(US$/bbl)*	79.05[(7)]	82.50
Average WTI-MSW differential *(CDN$/bbl)*	6.95[(7)]	6.00
Average AECO price *(CDN$/GJ)*	1.75[(7)]	2.05
Average Dawn price *(US$/MMBtu)*	2.05[(7)]	2.15
Average NYMEX HH price *(US$/MMBtu)*	2.35[(7)]	2.40
Exchange rate *(CDN$ to US$1)*	1.37[(7)]	1.36

Forward five months' free funds flow sensitivity[(7)(8)]	**Estimated change to 2024 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$1.2
Change in NYMEX HH US$0.10/MMBtu	$2.5
Change in Dawn US$0.10/MMBtu	$3.4
Change in AECO CDN$0.10/GJ	$1.3
Change in CDN/US exchange rate CDN$0.01	$1.4

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2024 is based on an annual average production rate of 76,000 boe/d in 2024, which is the mid-point of Birchcliff's updated annual average production guidance range for 2024. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"* in this MD&A.

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

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

(4) Assumes that an annual base dividend of $0.40 per common share is paid and that there are approximately 269 million common shares outstanding, with no special dividends paid. The declaration of future dividends is subject to the approval of the Board and is subject to change.

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

(6) Birchcliff's natural gas market exposure for 2024 takes into account its outstanding financial basis swap contracts.

(7) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2024 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, 2024 to July 31, 2024.

(8) 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 2024, 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.

Birchcliff is reviewing the accounting treatment for the COA under IFRS Accounting Standards and the associated impact on its financial statements, which will be reflected in the Corporation's Q3 2024 results. Accordingly, the guidance set forth herein does not reflect the impact of the COA. Birchcliff does not anticipate that the borrowing base limit and amounts available under its Credit Facilities or its forecast of total debt will be affected by the accounting treatment for the COA.

Changes in assumed commodity prices and variances in production forecasts can have an impact on the Corporation's forecasts of adjusted funds flow and free funds flow and the Corporation's other guidance, which impact could be material. In addition, any acquisitions or dispositions completed over the course of 2024 could have an impact on Birchcliff's 2024 guidance and assumptions set forth herein, which impact could be material. For further information, see *"Advisories – Forward-Looking Statements"* in this MD&A.

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

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

	Three months ended June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Cash flow from operating activities *($000s)*	**26,871**	**62,353**	**(57)**	**92,126**	**173,683**	**(47)**
Adjusted funds flow *($000s)*[1]	**53,664**	**69,650**	**(23)**	**119,745**	**158,387**	**(24)**
Per basic common share *($)*[2]	0.20	0.26	(23)	0.45	0.59	(24)
Per diluted common share *($)*[2]	0.20	0.26	(23)	0.44	0.58	(24)
Per boe *($)*[2]	7.53	9.87	(24)	8.56	11.51	(26)

(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 57% and 47% from the three and six month Comparable Prior Periods, respectively. Adjusted funds flow decreased by 23% and 24% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to lower natural gas revenue, which was largely impacted by a 32% and 31% decrease in the average realized sales price Birchcliff received for its natural gas production, and higher interest expenses in the three and six month Reporting Periods, respectively.

The decreases in Birchcliff's cash flow from operating activities and adjusted funds flow in the Reporting Periods were partially offset by lower realized losses on financial instruments and decreases in G&A, operating and royalty expenses as compared to the Comparable Prior Periods.

See "*Discussion of Operations*" in this MD&A for further information.

NET INCOME TO COMMON SHAREHOLDERS

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

	Three months ended June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Net income to common shareholders *($000s)*	**46,380**	**42,753**	**8**	**31,345**	**205**	**15,190**
Per basic common share *($)*	0.17	0.16	6	0.12	-	-
Per diluted common share *($)*	0.17	0.16	6	0.12	-	-
Per boe *($)*	6.50	6.06	7	2.24	0.01	22,300

Birchcliff reported net income to common shareholders of $46.4 million and $31.3 million in the three and six month Reporting Periods, respectively, as compared to $42.8 million and $0.2 million in the Comparable Prior Periods. The increases were primarily due to an unrealized gain on financial instruments of $70.7 million and $48.2 million in the three and six month Reporting Periods, respectively, as compared to an unrealized gain on financial instruments of $48.2 million in the three month Comparable Prior Period and an unrealized loss on financial instruments of $35.2 million in the six month Comparable Prior Period, partially offset by lower adjusted funds flow.

See "*Cash Flow From Operating Activities and Adjusted Funds Flow*" and "*Discussion of Operations*" in this MD&A for further information.

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

The following table sets forth Birchcliff's P&NG revenue by product category for the periods indicated:

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Light oil	23,045	15,837	46	36,265	35,699	2
Condensate	43,318	48,799	(11)	86,795	99,861	(13)
NGLs	16,037	14,169	13	34,604	25,024	38
Natural gas	64,546	92,448	(30)	152,568	219,270	(30)
P&NG sales(1)	146,946	171,253	(14)	310,232	379,854	(18)
Royalty income	30	38	(21)	48	84	(43)
P&NG revenue(1)	**146,976**	**171,291**	**(14)**	**310,280**	**379,938**	**(18)**

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

P&NG revenue decreased by 14% and 18% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to a 30% decrease in natural gas revenue in both the three and six month Reporting Periods, which largely resulted from a lower average realized sales price received for Birchcliff's natural gas production in the Reporting Periods.

P&NG revenue was positively impacted by a 46% increase in light oil revenue in the three month Reporting Period as a result of incremental light oil production from the new 4-well 01-10 pad in Gordondale brought on production and a 16% increase in the average realized sales price received for the Corporation's light oil production in the Reporting Period.

Production

The following table sets forth Birchcliff's production by product category for the periods indicated:

	Three months ended June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Light oil *(bbls/d)*	2,419	1,936	25	1,972	2,012	(2)
Condensate *(bbls/d)*	4,467	5,462	(18)	4,616	5,411	(15)
NGLs *(bbls/d)*	6,634	6,811	(3)	7,015	5,059	39
Natural gas *(Mcf/d)*	389,026	379,807	2	379,657	381,467	-
Production *(boe/d)*	**78,358**	**77,510**	**1**	**76,880**	**76,059**	**1**
Liquids-to-gas ratio *(bbls/MMcf)*	**34.8**	**37.4**	**(7)**	**35.8**	**32.7**	**9**

Birchcliff's production increased by 1% from both the three and six month Comparable Prior Periods. The increases were primarily due to the strong performance of the Corporation's capital program and the successful drilling of new Montney/Doig wells brought on production since the Comparable Prior Periods. Production was negatively impacted by natural production declines and maintenance and optimization projects completed in the three month Reporting Period.

Production in the six month Comparable Prior Period was negatively impacted by an unplanned system outage on Pembina's Northern Pipeline system (the "**Pembina Outage**"), which reduced the Corporation's NGLs sales volumes during that period.

The following table sets forth Birchcliff's production weighting by product category for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
% Light oil production	3	2	3	3
% Condensate production	6	7	6	7
% NGLs production	8	9	9	7
% Natural gas production	83	82	82	83

Liquids accounted for 17% and 18% of Birchcliff's total production in the three and six month Reporting Periods, respectively, as compared to 18% and 17% in the Comparable Prior Periods. Liquids production weighting decreased in the three month Reporting Period largely due to the Corporation primarily targeting horizontal natural gas wells and natural production declines from light oil and liquids-rich natural gas wells producing since the Comparable Prior Periods, partially offset by significant incremental light oil production from the new 4-well 01-10 pad in Gordondale brought on production in the three month Reporting Period. Birchcliff's liquids production weighting in the three and six month Comparable Prior Periods was negatively affected by the Pembina Outage, which reduced NGLs sales volumes in those periods.

Benchmark Commodity Prices

Benchmark commodity prices directly impact the average realized sales prices that the Corporation receives for its liquids and natural gas production.

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

	Three months ended June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	80.57	74.38	8	78.77	75.23	5
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	105.08	96.10	9	98.66	97.60	1
Natural gas – NYMEX HH *(US$/MMBtu)*	1.89	2.10	(10)	2.07	2.76	(25)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	1.12	2.32	(52)	1.74	2.69	(35)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.05	1.74	(40)	1.29	2.47	(48)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	1.66	2.05	(19)	1.96	2.39	(18)
Natural gas – ATP Day Ahead *(CDN$/GJ)*	1.20	1.71	(30)	1.87	2.29	(18)
Exchange rate *(CDN$ to US$1)*	1.3657	1.3474	1	1.3578	1.3504	1
Exchange rate *(US$ to CDN$1)*	0.7322	0.7422	(1)	0.7365	0.7405	(1)

Birchcliff physically sells substantially all of its natural gas production based on the AECO 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, with the first tranche of this service (120,000 GJ/d) expiring on October 31, 2027, the second tranche of this service (30,000 GJ/d) expiring on October 31, 2028 and the third tranche of this service (25,000 GJ/d) expiring on October 31, 2029. In addition, the Corporation has diversified a portion of its AECO production to NYMEX HH-based pricing, 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$1.120/MMBtu during the Reporting Periods and US$1.227/MMBtu during the Comparable Prior Periods. Natural gas benchmark prices deteriorated significantly in the Reporting Periods as compared to the Comparable Prior Periods largely due to higher-than-average natural gas storage inventories as a result of a mild winter, coupled with strong supply in North America.

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark oil price, which generally trades at a discount to the WTI benchmark oil price. The MSW benchmark oil price was positively impacted in the Reporting Periods by a risk premium on crude oil, which resulted from supply concerns arising from geopolitical conflicts worldwide and continued OPEC+ supply cuts and negatively impacted by ongoing global economic slowdown concerns attributed to inflation and interest rate uncertainty.

Average Realized Sales Prices

The average realized sales prices that the Corporation receives for its liquids and natural gas production directly impacts the Corporation's P&NG revenue, adjusted funds flow, net income or loss to common shareholders and financial position. Such prices depend on a number of factors, including, but not limited to, the benchmark prices for crude oil and natural gas, the U.S. to Canadian dollar exchange rate, transportation costs, product quality differentials and the heat premium on the Corporation's natural gas production.

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 June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Light oil *($/bbl)*	104.70	89.89	16	101.04	98.04	3
Condensate *($/bbl)*	106.56	98.18	9	103.31	101.97	1
NGLs *($/bbl)*	26.56	22.86	16	27.10	27.33	(1)
Natural gas *($/Mcf)*	1.82	2.67	(32)	2.21	3.18	(31)
Average realized sales price *($/boe)*[(1)]	**20.61**	**24.28**	**(15)**	**22.17**	**27.59**	**(20)**

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

The Corporation's average realized sales price decreased by 15% and 20% from the three and six month Comparable Prior Periods, respectively, primarily due to lower benchmark natural gas prices, which negatively impacted Birchcliff's natural gas revenue in the Reporting Periods. In the three month Reporting Period, the Corporation's average realized sales price received for its liquids production increased from the Comparable Prior Period primarily due to higher benchmark light oil prices, which positively impacted Birchcliff's liquids revenue in the three month 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 by Market

The average realized sales price that the Corporation receives from each natural gas market depends on regional supply and demand fundamentals, which can be impacted by a number of factors, including, but not limited to, production levels, weather-related demand in each natural gas consuming market, economic activity, local storage inventory levels and access to storage and pipeline supply takeaway capacity.

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

	Three months ended June 30, 2024					Three months ended June 30, 2023				
Natural gas market	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	28,987	45	223,382	57	1.44	46,334	50	205,501	54	2.47
Dawn	35,084	54	161,234	42	2.39	42,489	46	160,032	42	2.92
Alliance[(2)]	475	1	4,410	1	1.18	3,625	4	14,274	4	2.79
Total	**64,546**	**100**	**389,026**	**100**	**1.82**	**92,448**	**100**	**379,807**	**100**	**2.67**

	Six months ended June 30, 2024					Six months ended June 30, 2023				
Natural gas market	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	66,885	44	209,275	55	1.79	112,686	51	207,917	54	3.00
Dawn	81,023	53	161,443	42	2.76	97,781	45	158,681	42	3.40
Alliance[(2)]	4,660	3	8,939	3	2.86	8,803	4	14,869	4	3.27
Total	**152,568**	**100**	**379,657**	**100**	**2.21**	**219,270**	**100**	**381,467**	**100**	**3.18**

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

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

Market Diversification and Risk Management

Birchcliff engages in market diversification and risk management activities 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 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, interest rates and/or foreign exchange rates.

Birchcliff has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all of its financial instruments 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 the end of the reporting period, with the changes in the net 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.

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 the Corporation's financial performance, operating results and financial position.

At June 30, 2024, the Corporation had the following financial derivative contracts in place to manage commodity price risk:

Product	Type of Contract	Average Notional Quantity	Period(1)	Average Contract Price
Natural gas	AECO 7A basis swap(2)	147,500 MMBtu/d	Jul. 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)	70,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.961/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.

There were no financial derivative contracts entered into subsequent to June 30, 2024 to manage commodity price risk.

Realized Losses on Financial Instruments

The following table provides a summary of Birchcliff's realized losses on financial instruments for the periods indicated:

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Realized loss *($000s)*	5,170	13,239	(61)	10,798	29,050	(63)
Realized loss *($/boe)*	0.73	1.88	(61)	0.77	2.11	(64)

Birchcliff recorded a realized loss on financial instruments of $5.2 million and $10.8 million in three and six month Reporting Periods, respectively, as compared to a realized loss on financial instruments of $13.2 million and $29.1 million in the Comparable Prior Periods.

Birchcliff's realized gains and losses on financial instruments are primarily impacted by the settlement of its NYMEX HH/AECO 7A basis swap contracts in the 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$1.120/MMBtu during the Reporting Periods and 147,500 MMBtu/d and US$1.227/MMBtu during the Comparable Prior Periods. The average realized settlement price of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the three and six month Reporting Periods was US$0.84/MMBtu and US$0.78/MMBtu, respectively, as compared to US$0.35/MMBtu and US$0.29/MMBtu during the Comparable Prior Periods.

Unrealized Gains and Losses on Financial Instruments

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

	Three months ended June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Unrealized gain (loss) *($000s)*	70,747	48,240	47	48,223	(35,192)	237
Unrealized gain (loss) *($/boe)*	9.92	6.84	45	3.45	(2.56)	235

Birchcliff recorded an unrealized gain on financial instruments of $70.7 million and $48.2 million in the three and six month Reporting Periods, respectively, as compared to an unrealized gain on financial instruments of $48.2 million in the three month Comparable Prior Period and an unrealized loss on financial instruments of $35.2 million in the six month Comparable Prior Period.

Birchcliff's unrealized gains and losses on financial instruments are impacted by changes in the net fair value of its financial contracts at the end of the current reporting period as compared to the previous reporting period. The Corporation records an unrealized gain on its financial instruments when the net fair value of its financial contracts has increased at the end of the current reporting period when compared to the end of the previous reporting period. Conversely, the Corporation records an unrealized loss on its financial instruments when the net fair value of its financial contracts has decreased at the end of the current reporting period when compared to the end of the previous reporting period. The Corporation's unrealized gains and losses on financial instruments can fluctuate materially from period to period due to movement in the underlying forward strip commodity prices and interest rates and may have a significant impact on its net income or loss in a period. Unrealized gains and losses on financial instruments do not impact the Corporation's 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.

The unrealized gain on financial instruments of $70.7 million in the three month Reporting Period resulted from a change to the fair value net asset position of $57.3 million at June 30, 2024 from the fair value net liability position of $13.4 million at March 31, 2024. The change in the fair value of the Corporation's financial instruments was primarily due to the: (i) increase (or widening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at June 30, 2024 as compared to the fair value previously assessed at March 31, 2024; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the three month Reporting Period.

The unrealized gain on financial instruments of $48.2 million in the six month Reporting Period resulted from a change to the fair value net asset position of $57.3 million at June 30, 2024 from the fair value net asset position of $9.1 million at December 31, 2023. The change in the fair value of the Corporation's financial instruments was primarily due to the: (i) increase (or widening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at June 30, 2024 as compared to the fair value previously assessed at December 31, 2023; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the six month Reporting Period.

Royalties

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

	Three months ended June 30,			Six months ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Royalty expense *($000s)*(1)	6,824	7,657	(11)	21,291	36,965	(42)
Royalty expense (*$/boe*)	0.96	1.09	(12)	1.52	2.69	(43)
Effective royalty rate *(%)*(2)	5	4	25	7	10	(30)

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

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

Royalty expense per boe decreased by 12% and 43% from the three and six month Comparable Prior Periods, respectively, primarily due to a lower average realized sales price received for Birchcliff's natural gas production in the Reporting Periods.

Operating Expense

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Field operating expense	25,514	26,807	(5)	53,062	54,580	(3)
Recoveries	(1,092)	(1,100)	(1)	(2,213)	(2,371)	(7)
Operating expense	**24,422**	**25,707**	**(5)**	**50,849**	**52,209**	**(3)**
Operating expense (*$/boe*)	**3.43**	**3.64**	**(6)**	**3.63**	**3.79**	**(4)**

Operating expense per boe decreased by 6% and 4% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to lower power and fuel costs, which decreased by 60% and 40% on a per boe basis in the three and six month Reporting Periods, respectively, partially offset by higher service labour, property tax and regulatory fees in the Reporting Periods.

Transportation and Other

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Natural gas transportation	31,222	30,203	3	58,164	60,332	(4)
Liquids transportation	7,166	7,442	(4)	15,106	10,773	40
Fractionation	1,540	1,702	(10)	3,283	2,756	19
Other fees	-	-	-	-	3	(100)
Transportation expense	39,928	39,347	1	76,553	73,864	4
Transportation expense *($/boe)*	5.60	5.57	1	5.47	5.37	2
Marketing purchases[(1)]	14,950	6,601	126	22,061	17,226	28
Marketing revenue[(1)]	(16,046)	(6,914)	132	(25,514)	(16,352)	56
Marketing loss (gain)[(2)]	(1,096)	(313)	250	(3,453)	874	495
Marketing loss (gain) *($/boe)*[(3)]	(0.15)	(0.04)	275	(0.25)	0.06	517
Transportation and other expense[(2)]	**38,832**	**39,034**	**(1)**	**73,100**	**74,738**	**(2)**
Transportation and other expense *($/boe)*[(3)]	**5.44**	**5.53**	**(2)**	**5.23**	**5.43**	**(4)**

(1) Marketing purchases and marketing revenue primarily represent the purchase and sale of commodities with third parties. Birchcliff enters into certain commodity purchase and sale arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. The value of commodities purchased or sold during the period is primarily driven by prevailing commodity prices, the availability of sellers and buyers for fractionated products and the fractionation capacity available in the market. The value of commodities purchased and sold to third parties are recorded on a gross basis for financial statement presentation purposes. Marketing revenue also includes a propane supply arrangement with a third-party polypropylene producer, which is recorded net of processing costs and other charges.

(2) Non-GAAP 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.

Transportation and other expense per boe decreased by 2% and 4% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to an increased marketing gain recorded in the three month Reporting Period and a marketing gain in the six month Reporting Period as compared to a marketing loss in the Comparable Prior Period, partially offset by a higher transportation expense per boe in the three and six month Reporting Periods.

The Corporation recorded marketing gains per boe in the Reporting Periods largely due to a net gain recorded on third-party commodity purchase and sale arrangements.

The increase in transportation expense per boe from the three month Comparable Prior Period was primarily due to increased natural gas firm service costs associated with higher natural gas sales delivery volumes, partially offset by a decrease in liquids transportation, processing and fractionation costs associated with lower NGLs sales delivery volumes.

The increase in transportation expense per boe from the six month Comparable Prior Period was primarily due to increased liquids transportation, processing and fractionation costs associated with higher NGLs sales delivery volumes, partially offset by temporary assignments of excess AECO firm service that resulted in a lower natural gas transportation expense in the six month Reporting Period. During the six month Comparable Prior Period, liquids transportation, processing and fractionation costs were lower due to the Pembina Outage.

Operating Netback

The following table sets forth Birchcliff's average production and operating netback for the 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**") and the Gordondale operating assets geologically situated in the light oil and liquids-rich trends of the Montney/Doig Resource Play (the "**Gordondale assets**") and operating netback on a corporate basis for the periods indicated:

	Three months ended June 30,			Six months ended June 30,		
($/boe)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Pouce Coupe assets						
Average production						
Light oil *(bbls/d)*	50	68	(26)	49	48	2
Condensate *(bbls/d)*	2,903	4,159	(30)	3,092	4,104	(25)
NGLs *(bbls/d)*	1,765	2,005	(12)	1,895	1,275	49
Natural gas *(Mcf/d)*	304,051	289,051	5	295,829	285,291	4
Production *(boe/d)*	**55,394**	**54,408**	**2**	**54,340**	**52,975**	**3**
Liquids-to-gas ratio *(bbls/MMcf)*	**15.5**	**21.6**	**(28)**	**17.0**	**19.0**	**(11)**
% of corporate production	**71%**	**70%**	**1**	**71%**	**70%**	**1**
Netback and cost ($/boe)						
P&NG revenue(1)	16.85	23.16	(27)	19.26	25.96	(26)
Royalty expense	(0.26)	(0.73)	(64)	(0.90)	(2.14)	(58)
Operating expense	(2.32)	(2.82)	(18)	(2.72)	(2.96)	(8)
Transportation and other expense(2)	(5.52)	(5.77)	(4)	(5.28)	(5.43)	(3)
Operating netback(2)	**8.75**	**13.84**	**(37)**	**10.36**	**15.43**	**(33)**
Gordondale assets						
Average production						
Light oil *(bbls/d)*	2,368	1,864	27	1,922	1,961	(2)
Condensate *(bbls/d)*	1,560	1,296	20	1,519	1,303	17
NGLs *(bbls/d)*	4,865	4,802	1	5,117	3,781	35
Natural gas *(Mcf/d)*	84,586	90,342	(6)	83,429	95,747	(13)
Production *(boe/d)*	**22,891**	**23,019**	**(1)**	**22,463**	**23,002**	**(2)**
Liquids-to-gas ratio *(bbls/MMcf)*	**104.0**	**88.1**	**18**	**102.6**	**73.6**	**39**
% of corporate production	**29%**	**30%**	**(3)**	**29%**	**30%**	**(3)**
Netback and cost ($/boe)						
P&NG revenue(1)	29.71	26.93	10	29.23	31.35	(7)
Royalty expense	(2.63)	(1.92)	37	(3.03)	(3.93)	(23)
Operating expense	(6.03)	(5.49)	10	(5.79)	(5.63)	3
Transportation and other expense(2)	(5.27)	(4.97)	6	(5.10)	(5.43)	(6)
Operating netback(2)	**15.78**	**14.55**	**8**	**15.31**	**16.36**	**(6)**
Corporate(3)						
Netback and cost ($/boe)						
P&NG revenue(1)	20.61	24.28	(15)	22.18	27.60	(20)
Royalty expense	(0.96)	(1.09)	(12)	(1.52)	(2.69)	(43)
Operating expense	(3.43)	(3.64)	(6)	(3.63)	(3.79)	(4)
Transportation and other expense(2)	(5.44)	(5.53)	(2)	(5.23)	(5.43)	(4)
Operating netback(2)	**10.78**	**14.02**	**(23)**	**11.80**	**15.69**	**(25)**

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

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

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

Pouce Coupe Assets

Birchcliff's production from the Pouce Coupe assets increased by 2% and 3% from the three and six month Comparable Prior Periods, respectively, primarily due to incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Periods, including Birchcliff's new 5-well 16-17 pad brought on production in the three month Reporting Period, partially offset by natural production declines in the Reporting Periods.

The liquids-to-gas ratio for the Pouce Coupe assets decreased by 28% and 11% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to the Corporation specifically targeting horizontal natural gas wells in the Pouce Coupe area since the Comparable Prior Periods and natural production declines from liquids-rich natural gas wells producing since the Comparable Prior Periods.

Birchcliff's operating netback for the Pouce Coupe assets decreased by 37% and 33% from the three and six month Comparable Prior Periods, respectively, primarily due to lower per boe petroleum and natural gas revenue, partially offset by a lower per boe royalty expense in the Reporting Periods, both of which were largely impacted by a lower average realized sales price received for Birchcliff's natural gas production in the Reporting Periods. Birchcliff's operating netback for the Pouce Coupe assets was also positively impacted by a decrease in operating expense per boe in the Reporting Periods.

Gordondale Assets

Birchcliff's production from the Gordondale assets decreased by 1% and 2% from the three and six month Comparable Prior Periods, respectively, primarily due to natural production declines and maintenance and optimization projects completed in the Reporting Periods, partially offset by incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Periods. NGLs sales volumes in the Comparable Prior Periods were negatively impacted by the Pembina Outage.

The liquids-to-gas ratio for the Gordondale assets increased by 18% and 39% from the three and six month Comparable Prior Periods, respectively, primarily due to significant incremental light oil and condensate production from the new 4-well 01-10 and 2-well 02-27 pads brought on production in the three month Reporting Period and increased NGLs production in the six month Reporting Period as compared to the Comparable Prior Period.

Birchcliff's operating netback for the Gordondale assets in the three month Reporting Period increased by 8% from the Comparable Prior Period primarily due to higher per boe petroleum and natural gas revenue, partially offset by a higher per boe royalty expense.

Birchcliff's operating netback for the Gordondale assets in the six month Reporting Period decreased by 6% from the Comparable Prior Period primarily due to lower per boe petroleum and natural gas revenue, partially offset by a lower per boe royalty expense, both of which were largely impacted by a lower average realized sales price received for Birchcliff's natural gas production in the six month Reporting Period.

Administrative Expense

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

			Three months ended June 30,			**Six months ended June 30,**
($000s)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Cash:						
Salaries and benefits(1)	7,595	9,003	(16)	15,012	16,507	(9)
Other(2)	5,101	6,158	(17)	9,560	11,590	(18)
G&A expense, gross	12,696	15,161	(16)	24,572	28,097	(13)
Operating overhead recoveries	(35)	(37)	(5)	(59)	(73)	(19)
Capitalized overhead(3)	(3,761)	(4,475)	(16)	(6,845)	(7,917)	(14)
G&A expense, net	8,900	10,649	(16)	17,668	20,107	(12)
G&A expense, net *($/boe)*	1.25	1.51	(17)	1.26	1.46	(14)
Non-cash:						
Other compensation	2,656	4,968	(47)	5,368	9,885	(46)
Capitalized compensation(3)	(1,281)	(2,544)	(50)	(2,500)	(5,070)	(51)
Other compensation, net	1,375	2,424	(43)	2,868	4,815	(40)
Other compensation, net *($/boe)*	0.19	0.34	(44)	0.20	0.35	(43)
Administrative expense, net	**10,275**	**13,073**	**(21)**	**20,536**	**24,922**	**(18)**
Administrative expense, net *($/boe)*	**1.44**	**1.85**	**(22)**	**1.46**	**1.81**	**(19)**

(1) Includes salaries and benefits paid to employees of the Corporation and 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 general business expenses incurred by the Corporation.

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

On an aggregate basis, net administrative expense decreased by 21% and 18% from the three and six month Comparable Prior Periods, respectively, due to lower net G&A expense and other compensation expense.

Net G&A expense decreased by 16% and 12% from the three and six month Comparable Prior Periods, respectively, primarily due to lower incentive payments made to the Corporation's employees, lower compliance and regulatory costs and a decrease in general business costs, including travel and insurance.

Net other compensation expense decreased by 43% and 40% from the three and six month Comparable Prior Periods, respectively, primarily due to a lower Black-Scholes fair value expense associated with Birchcliff's annual stock option grants.

Depletion and Depreciation Expense

Depletion and depreciation ("**D&D**") expense is a function of the estimated proved and probable reserves at the end of the period, the F&D costs attributable to those reserves, the associated future development costs ("**FDC**") 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 June 30,			**Six months ended June 30,**
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Depletion and depreciation expense *($000s)*	60,795	56,460	8	119,512	111,924	7
Depletion and depreciation expense (*$/boe*)	8.53	8.00	7	8.54	8.13	5

D&D expense per boe increased by 7% and 5% from the three and six month Comparable Prior Periods, respectively. The increases were primarily due to a higher depletion rate on the Corporation's developed and producing assets, primarily driven by an increase in the FDC required to develop the Corporation's proved plus probable reserves. FDC for proved plus probable reserves increased to $4.94 billion at June 30, 2024 from $4.52 billion at June 30, 2023.

Finance Expense

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

			Three months ended June 30,			**Six months ended June 30,**
($000s)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Cash:						
Interest expense(1)	9,204	4,527	103	16,924	7,711	119
Interest expense (*$/boe*)(1)	1.29	0.64	102	1.21	0.56	116
Non-cash:						
Accretion(2)	1,100	1,065	3	2,120	2,218	(4)
Amortization of deferred financing fees	354	425	(17)	779	849	(8)
Other finance expenses	1,454	1,490	(2)	2,899	3,067	(5)
Other finance expenses (*$/boe*)	0.20	0.21	(5)	0.21	0.22	(5)
Finance expense	**10,658**	**6,017**	**77**	**19,823**	**10,778**	**84**
Finance expense (*$/boe*)	**1.49**	**0.85**	**75**	**1.42**	**0.78**	**82**

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

On an aggregate basis, finance expense increased by 77% and 84% from the three and six month Comparable Prior Periods, respectively, primarily due to an increase in interest expense associated with the Corporation's Credit Facilities, which are comprised of the Working Capital Facility and Syndicated Credit Facility (as defined herein). Birchcliff's aggregate interest expense increased from the Comparable Prior Periods primarily due to a higher average outstanding balance under the Syndicated Credit Facility and a higher average effective interest rate in the Reporting Periods.

The following table sets forth the Corporation's average effective interest rates under its Working Capital Facility and Syndicated Credit Facility for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Working Capital Facility *(%)*	8.2	7.8	8.2	7.7
Syndicated Credit Facility *(%)*(1)	7.3	6.6	7.2	6.6

(1) The average effective interest rate under the Syndicated Credit Facility was determined primarily based on: (i) the market interest rate applicable to SOFR loans; and (ii) the stamping pricing margin. 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, unrealized gains and losses on financial instruments, gains and losses on investments, depletion, depreciation, accretion and amortization and impairment charges. The effective interest rate disclosed in the table excludes the impact of standby charges.

The average effective interest rate under both the Working Capital Facility and the Syndicated Credit Facility increased from the Comparable Prior Periods primarily due to increases in the policy interest rate, set by the Bank of Canada, which in turn affects the banks' prime lending rates.

The average outstanding balance under the Syndicated Credit Facility was approximately $449.8 million and $417.5 million in the three and six month Reporting Periods, respectively, as compared to $212.9 million and $124.9 million in the Comparable Prior Periods, calculated as the simple average of the month-end amounts.

Income Taxes

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	2024	2023	% Change	2024	2023	% Change
Deferred income tax expense *($000s)*	14,407	13,992	3	10,693	2,661	302
Deferred income tax expense (*$/boe*)	2.02	1.99	2	0.76	0.20	280

Birchcliff reported a deferred income tax expense of $14.4 million and $10.7 million in the three and six month Reporting Periods, respectively, as compared to a deferred tax expense of $14.0 million and $2.7 million in the Comparable Prior Periods, primarily due to higher before-tax net income in the Reporting Periods.

The Corporation's estimated income tax pools were $1.4 billion at June 30, 2024. 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)*	**June 30, 2024**
Canadian oil and gas property expense	266,270
Canadian development expense	358,785
Canadian exploration expense(1)	296,534
Undepreciated capital costs	196,263
Non-capital losses(1)	215,622
Scientific research and experimental development expenditures(1)	24,022
Investment tax credits(2)	3,540
Financing costs and other	4,299
Estimated income tax pools	**1,365,335**

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

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

CAPITAL EXPENDITURES

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Land	252	5,698	(96)	8,474	6,898	23
Seismic	(8)	471	(102)	89	759	(88)
Workovers	1,623	2,764	(41)	2,378	5,040	(53)
Drilling and completions	33,786	46,341	(27)	121,061	128,964	(6)
Well equipment and facilities	12,728	9,481	34	19,152	38,133	(50)
F&D capital expenditures(1)	48,381	64,755	(25)	151,154	179,794	(16)
Dispositions	-	(77)	(100)	(109)	(77)	42
FD&A capital expenditures(2)	48,381	64,678	(25)	151,045	179,717	(16)
Administrative assets	321	563	(43)	1,141	1,183	(4)
Total capital expenditures(2)	**48,702**	**65,241**	**(25)**	**152,186**	**180,900**	**(16)**

(1) See "*Advisories – F&D Capital Expenditures*" in this MD&A.

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

During the three month Reporting Period, Birchcliff had F&D capital expenditures of $48.4 million, which primarily included $19.7 million (41%) for the drilling and completions of new wells in Pouce Coupe, $14.4 million (30%) for the drilling and completions of new wells in Gordondale and $12.7 million (26%) on gas gathering and infrastructure projects in Pouce Coupe and Gordondale. During the three month Reporting Period, Birchcliff drilled 1 (1.0 net) well and brought 11 (11.0 net) wells on production. Included in F&D capital expenditures during the three month Reporting Period were other minor costs and adjustments related to the Elmworth properties.

During the six month Reporting Period, Birchcliff had F&D capital expenditures of $151.2 million, which primarily included $83.6 million (55%) for the drilling and completions of new wells in Pouce Coupe, $37.5 million (25%) for the drilling and completions of new wells in Gordondale, $19.2 million (13%) on gas gathering and infrastructure projects in Pouce Coupe and Gordondale and $7.9 million (5%) on land acquisitions. During the six month Reporting Period, Birchcliff drilled 12 (12.0 net) wells and brought 16 (16.0 net) wells on production.

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

CAPITAL RESOURCES AND LIQUIDITY

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, which are described in further detail below. The Corporation believes that its anticipated adjusted funds flow in 2024 and available Credit Facilities will be sufficient to fund its ongoing capital requirements in 2024, which include its working capital, F&D capital expenditures and dividend payments approved by the Board. Should commodity prices deteriorate significantly, Birchcliff may adjust its capital requirements, seek additional debt/equity financing and/or consider the potential sale of non-core assets. See "*Advisories – Forward-Looking Statements*" in this MD&A.

Credit Facilities and Debt

At June 30, 2024, 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.

Effective May 6, 2024, the agreement governing the Credit Facilities was amended to extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2025 to May 11, 2027. In addition, the lenders confirmed the borrowing base limit at $850.0 million. The maturity date of the Credit Facilities may, at the request of the Corporation and with consent of the lenders, be extended on an annual basis, for an additional period of up to three years from May 11 of the year in which the extension request is made. The Credit Facilities do not contain any financial maintenance covenants.

At June 30, 2024, Birchcliff had a balance outstanding under its Credit Facilities of $485.8 million from available Credit Facilities of $850.0 million, leaving the Corporation with $364.2 million (43%) 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 available capital resources.

Total debt at June 30, 2024 was $465.2 million, an increase of 22% from $382.3 million at December 31, 2023. The increase was primarily due to F&D capital expenditures and dividends paid to common shareholders exceeding the Corporation's adjusted funds flow in the six month Reporting Period. During the six month Reporting Period, Birchcliff incurred $151.2 million in F&D capital expenditures, paid $53.8 million in common share dividends and generated $119.7 million in adjusted funds flow.

Working Capital

Adjusted working capital consists of items from day-to-day operations, which includes cash, accounts receivables, prepaid expenses and deposits, accounts payables and accrued liabilities and the current portion of other liabilities which are due and payable, and excludes the current portion of financial instruments and other liabilities discounted at the end of the period. 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 Corporation's adjusted working capital position does not impact the borrowing base available under Birchcliff's Credit Facilities.

The Corporation's adjusted working capital surplus[(5)] was $16.0 million at June 30, 2024 as compared to a working capital deficit of $10.2 million at December 31, 2023. The increase to a surplus position was primarily due to a decrease in accounts payable and accrued liabilities arising from the Corporation's reduced capital and operating activities and a decrease in the current portion of other liabilities resulting from the settlement of post-employment benefit obligations, partially offset by a decrease in accounts receivable arising from lower P&NG revenue in the six month Reporting Period.

At June 30, 2024, the largest component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of June 2024 production (41%), which was subsequently received in July 2024. 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 June 30, 2024, primarily consisted of accounts payables and accrued liabilities for capital and operating expenses incurred in the six month Reporting Period.

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 June 30, 2024:

($000s)	**2024**	**2025**	**2026-2028**	**Thereafter**
Accounts payable and accrued liabilities	73,072	-	-	-
Drawn revolving term credit facilities	-	-	485,626	-
Firm transportation and fractionation[(1)]	150,147	171,407	365,076	147,618
Natural gas processing[(2)]	9,743	19,327	53,500	68,667
Operating commitments[(3)]	1,039	2,078	4,329	-
Capital commitments[(4)]	5,266	5,518	5,400	-
Lease payments	1,556	3,414	7,629	120
Estimated contractual obligations and commitments[(5)]	**240,823**	**201,744**	**921,560**	**216,405**

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

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

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

(4) Includes drilling commitments.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at June 30, 2024 to be approximately $266.3 million and are estimated to be incurred as follows: 2024 – $2.3 million, 2025 – $2.9 million and $261.1 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.

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

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 August 13, 2024, there were 269,321,278 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, 2023	267,155,675
Issuance of common shares[(1)]	1,975,769
Balance at June 30, 2024	**269,131,444**
Issuance of common shares[(1)]	189,834
Balance at August 13, 2024	**269,321,278**

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

At August 13, 2024, the Corporation also had the following securities outstanding: (i) 20,244,597 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 20, 2023, 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 13,328,267 of its outstanding common shares over a period of twelve months commencing on November 27, 2023 and terminating no later than November 26, 2024. 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. Subject to exceptions for block purchases, 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 275,590 common shares. All common shares purchased under the NCIB will be cancelled. During the six month Reporting Period, Birchcliff did not purchase any common shares pursuant to the NCIB.

DIVIDENDS

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

			Three months ended June 30,			Six months ended June 30,
	2024	2023	% Change	2024	2023	% Change
Common share dividend *($000s)*	26,907	53,241	(49)	53,764	106,633	(50)
Per common share *($)*	0.10	0.20	(50)	0.20	0.40	(50)

On January 17, 2024, the Board declared a quarterly cash dividend of $0.10 per common share for the quarter ended March 31, 2024. The dividend was paid on March 28, 2024 to shareholders of record at the close of business on March 15, 2024.

On May 15, 2024, the Board declared a quarterly cash dividend of $0.10 per common share for the quarter ending June 30, 2024. The dividend was paid on June 28, 2024 to shareholders of record at the close of business on June 14, 2024.

On August 14, 2024, the Board declared a quarterly cash dividend of $0.10 per common share for the quarter ending September 30, 2024. The dividend will be payable on September 27, 2024 to shareholders of record at the close of business on September 13, 2024.

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,	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
Average light oil production *(bbls/d)*	2,419	1,525	1,649	1,728	1,936	2,088	2,413	2,254
Average condensate production *(bbls/d)*	4,467	4,765	5,145	4,850	5,462	5,358	4,822	4,601
Average NGLs production *(bbls/d)*	6,634	7,397	7,653	7,412	6,811	3,288	7,963	7,593
Average natural gas production *(Mcf/d)*	389,026	370,288	372,594	360,924	379,807	383,145	387,604	381,788
Average production *(boe/d)*	78,358	75,402	76,546	74,143	77,510	74,592	79,799	78,079
Average realized light oil sales price *($/bbl)*(1)	104.70	95.24	100.07	100.46	89.89	105.69	115.24	115.94
Average realized condensate sales price *($/bbl)*(1)	106.56	100.26	103.80	107.67	98.18	105.88	114.32	115.84
Average realized NGLs sales price *($/bbl)*(1)	26.56	27.59	26.95	26.35	22.86	36.69	35.80	38.18
Average realized natural gas sales price *($/Mcf)*(1)	1.82	2.61	2.92	2.86	2.67	3.68	6.11	6.83
Average realized sales price *($/boe)*(1)	20.61	23.80	26.02	25.96	24.28	31.07	43.63	47.26
P&NG revenue *($000s)*(1)	146,976	163,304	183,295	177,126	171,291	208,647	320,358	339,531
F&D capital expenditures *($000s)*(2)	48,381	102,773	58,166	66,677	64,755	115,039	106,762	85,330
Total capital expenditures *($000s)*(3)	48,702	103,484	59,541	67,475	65,241	115,659	107,471	86,485
Cash flow from operating activities *($000s)*	26,871	65,255	79,006	67,840	62,353	111,330	224,447	272,965
Adjusted funds flow *($000s)*(3)	53,664	66,081	76,215	72,225	69,650	88,737	217,099	267,350
Per basic common share *($)*(4)	0.20	0.25	0.29	0.27	0.26	0.33	0.82	1.01
Per diluted common share *($)*(4)	0.20	0.25	0.29	0.27	0.26	0.33	0.79	0.97
Free funds flow *($000s)*(3)	5,283	(36,692)	18,049	5,548	4,895	(26,302)	110,337	182,020
Per basic common share *($)*(4)	0.02	(0.14)	0.07	0.02	0.02	(0.10)	0.41	0.69
Net income (loss) to common shareholders	46,380	(15,035)	(5,533)	15,108	42,753	(42,548)	69,453	244,582
Per basic common share *($)*	0.17	(0.06)	(0.02)	0.06	0.16	(0.16)	0.26	0.92
Per diluted common share *($)*	0.17	(0.06)	(0.02)	0.06	0.16	(0.16)	0.25	0.89
Total assets *($ millions)*	3,244	3,206	3,177	3,175	3,165	3,141	3,169	3,188
Total liabilities *($ millions)*	1,030	1,016	951	897	856	817	757	788
Revolving term credit facilities *($000s)*	481,163	428,566	372,097	318,711	281,354	191,426	131,981	196,989
Total debt *($000s)*(5)	465,195	443,380	382,306	327,655	278,521	217,927	138,549	186,064
Dividends on common shares *($000s)*	26,907	26,857	53,390	53,321	53,241	53,392	58,503	5,317
Weighted average common shares outstanding								
Basic *(000s)*	268,878	267,905	266,667	266,390	266,354	266,447	265,922	265,298
Diluted *(000s)*	272,224	267,905	266,667	272,447	272,365	266,447	275,567	274,223

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

(2) See "*Advisories – F&D Capital Expenditures*" in this MD&A.

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

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

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

Production in the last eight quarters was primarily impacted by Birchcliff's successful drilling of new horizontal natural gas and light oil wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods. Light oil production in the second quarter of 2024 increased significantly from the prior five quarters primarily due to incremental light oil production from the new 4-well 01-10 pad in Gordondale. NGLs production in the second quarter of 2024 was negatively impacted by maintenance and optimization projects and natural production declines from liquids-rich natural gas wells. NGLs production in the first and second quarters of 2023 was negatively impacted by the Pembina Outage.

P&NG revenue, adjusted funds flow and cash flow from operating activities 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, deteriorating over the six most recent quarters primarily due to declining benchmark natural gas commodity prices.

Birchcliff's net income and loss in the last eight quarters were largely impacted by fluctuations in adjusted funds flow and unrealized 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 from 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 and cost thereof.

The Corporation's free funds flow is impacted by the amount and timing of F&D capital expenditures and fluctuations in adjusted funds flow quarter to quarter.

The amount outstanding under the Credit Facilities and the Corporation's total debt in the last six quarters have trended higher primarily due to the aggregate of F&D capital expenditures and dividends paid to common shareholders exceeding adjusted funds flow in each of those quarters.

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 from the third quarter of 2022 as a result of the higher quarterly base dividend of $0.20 per common share that was paid in each quarter of 2023 and a special dividend of $0.20 per common share that was paid in the fourth quarter of 2022. The dividend payments decreased in the first quarter of 2024 as compared to the prior quarter as a result of a reduction in the quarterly base dividend and remained at $0.10 per common share in the second quarter of 2024.

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 controls over financial reporting ("**ICFR**") that occurred during the period beginning on April 1, 2024 and ended on June 30, 2024 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. The Corporation's use of judgement, estimates and assumptions in preparing the interim condensed financial statements are discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2023.

OPERATING ENVIRONMENT

Benchmark oil and natural gas prices remained volatile during the Reporting Periods primarily driven by a confluence of factors, including (but not limited to) the extension of production cuts by the OPEC+, ongoing global economic slowdown concerns attributed to inflation and interest rate uncertainty and geopolitical tensions arising from the Russian invasion of Ukraine as well as ongoing conflict in the Middle East and global commodity supply constraints. These factors remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and economic conditions, or the extent to which they will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of the above-noted factors have been considered in management's estimates and assumptions at June 30, 2024 and have been reflected in the Corporation's financial results.

CHANGES IN ACCOUNTING POLICY

Effective January 1, 2024, Birchcliff adopted the amendments to IAS 1, *Presentation of Financial Statements*, whereby the classification of certain non-current liabilities may need to be reclassified as current. Under the previous IAS 1 requirements, companies classified a liability as current when they did not have an unconditional right to defer settlement for at least 12 months after the reporting date. The IASB removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. This amendment is retrospective and requires reclassification for the periods ended December 31, 2023 and January 1, 2023.

Due to the change in policy, there is a retrospective impact on the comparative statements of financial position at December 31, 2023 and January 1, 2023, as Birchcliff had executives who were eligible for, and entitled to, retirement benefit payments upon retirement. In the case of these executives retiring, their executive retirement benefit obligation would become payable and Birchcliff would not have the right to defer the settlement of the liability for at least 12 months. As such, the liability is impacted by the revised policy. Birchcliff reclassified approximately $2.6 million and $11.2 million from non-current other liabilities to current other liabilities for the periods ended December 31, 2023 and January 1, 2023, respectively. The related liability is now classified as current for the period ended June 30, 2024. See Note 10 of the financial statements for further details.

REGULATORY UPDATE

Regulations relating to climate change and climate-related matters continue to evolve and may result in additional disclosure requirements in the future. On June 26, 2023, the International Sustainability Standards Board ("**ISSB**") issued its first two IFRS Sustainability Disclosure Standards: IFRS S1 – *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 – *Climate-related Disclosures* (collectively, the "**ISSB Standards**"). The ISSB Standards aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. Mandatory application of the ISSB Standards depends on each jurisdiction's endorsement or regulatory processes. In the case of the Corporation, the Canadian Securities Administrators ("**CSA**") is responsible for developing climate-related disclosure requirements for reporting issuers in Canada. The Canadian Sustainability Standards Board ("**CSSB**") has been established to review the ISSB Standards for their suitability for adoption in Canada. In March 2024, the CSSB published two exposure drafts: CSDS 1 – *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2 – *Climate-related Disclosures*, for public comment. Until such time as the CSA makes a final decision on the sustainability reporting standards for Canada, there is no requirement for public companies in Canada to adopt sustainability standards. The public comment period for CSDS 1 and 2 closed in June 2024. The Corporation is awaiting further guidance from the CSA on their final rules. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. Birchcliff continues to monitor the evolving climate change regulations and its potential impact on the Corporation.

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, 2023.

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 Accounting Standards
GJ	gigajoule
GJ/d	gigajoules per day
HH	Henry Hub
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as issued by the IASB
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
OPEC+	Organization of the Petroleum Exporting Countries, with certain non-OPEC oil exporting countries
P&NG	petroleum and natural gas
SOFR	Secured Overnight Financing Rate
TCPL	TransCanada PipeLines Limited
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
000s	thousands
$000s	thousands of dollars

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A uses various "non-GAAP financial measures", "non-GAAP ratios" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below.

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 and Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures, retirement benefit payments 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. Birchcliff eliminates retirement benefit payments from cash flow from operating activities as such payments reflect costs for past service and contributions made by eligible executives under the Corporation's post-employment benefit plan, which are not indicative of the current period. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow 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 common share dividends, 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 and 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 and free funds flow for the periods indicated:

	Three months ended June 30,		Six months ended June 30,		Twelve months ended December 31,
($000s)	**2024**	**2023**	**2024**	**2023**	**2023**
Cash flow from operating activities	**26,871**	**62,353**	**92,126**	**173,683**	**320,529**
Change in non-cash operating working capital	26,578	6,137	13,415	(16,830)	(19,477)
Decommissioning expenditures	215	1,160	353	1,534	3,775
Retirement benefit payments	-	-	13,851	-	2,000
Adjusted funds flow	**53,664**	**69,650**	**119,745**	**158,387**	**306,827**
F&D capital expenditures	(48,381)	(64,755)	(151,154)	(179,794)	(304,637)
Free funds flow	**5,283**	**4,895**	**(31,409)**	**(21,407)**	**2,190**

Birchcliff has disclosed in this MD&A forecasts of adjusted funds flow and free funds flow for 2024, which are forward-looking non-GAAP financial measures (see "*Updated 2024 Guidance"* in this MD&A). The equivalent historical non-GAAP financial measures are adjusted funds flow and free funds flow for the twelve months ended December 31, 2023. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow and free funds flow to be lower than their respective historical amounts primarily due to lower anticipated natural gas prices. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading *"Updated 2024 Guidance"* in this MD&A.

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 P&NG 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 June 30,		Six months ended June 30,	
($000s)	**2024**	**2023**	**2024**	**2023**
Exploration and development expenditures(1)	**48,381**	**64,755**	**151,154**	**179,794**
Dispositions	-	(77)	(109)	(77)
FD&A capital expenditures	**48,381**	**64,678**	**151,045**	**179,717**
Administrative assets	321	563	1,141	1,183
Total capital expenditures	**48,702**	**65,241**	**152,186**	**180,900**

(1) Disclosed as F&D capital expenditures elsewhere in this MD&A. See "*Advisories – F&D Capital Expenditures*" 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 unused transportation or fractionation fees associated with its take-or-pay commitments and/or increasing the value of its production through value-added downstream initiatives. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation and marketing 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 June 30,		Six months ended June 30,		Twelve months ended December 31,
($000s)	**2024**	**2023**	**2024**	**2023**	**2023**
Transportation expense	**39,928**	**39,347**	**76,553**	**73,864**	**152,828**
Marketing purchases	14,950	6,601	22,061	17,226	34,772
Marketing revenue	(16,046)	(6,914)	(25,514)	(16,352)	(30,521)
Marketing (gain) loss	**(1,096)**	**(313)**	**(3,453)**	**874**	**4,251**
Transportation and other expense	**38,832**	**39,034**	**73,100**	**74,738**	**157,079**

Operating Netback

Birchcliff defines "operating netback" as P&NG revenue less royalty expense, operating expense and transportation and other expense. Operating netback is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. 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 June 30,		Six months ended June 30,	
($000s)	**2024**	**2023**	**2024**	**2023**
P&NG revenue	84,942	114,644	190,468	248,960
Royalty expense	(1,329)	(3,602)	(8,879)	(20,544)
Operating expense	(11,687)	(13,960)	(26,861)	(28,412)
Transportation and other expense	(27,817)	(28,577)	(52,222)	(52,064)
Operating netback – Pouce Coupe assets	**44,109**	**68,505**	**102,506**	**147,940**
P&NG revenue	61,894	56,405	119,481	130,507
Royalty expense	(5,488)	(4,018)	(12,395)	(16,375)
Operating expense	(12,552)	(11,508)	(23,685)	(23,428)
Transportation and other expense	(10,981)	(10,402)	(20,796)	(22,580)
Operating netback – Gordondale assets	**32,873**	**30,477**	**62,605**	**68,124**
P&NG revenue	146,976	171,291	310,280	379,938
Royalty expense	(6,824)	(7,657)	(21,291)	(36,965)
Operating expense	(24,422)	(25,707)	(50,849)	(52,209)
Transportation and other expense	(38,832)	(39,034)	(73,100)	(74,738)
Operating netback – Corporate	**76,898**	**98,893**	**165,040**	**216,026**

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 and 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. Operating netback per boe is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. 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.

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

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

As at, *($000s)*	**June 30, 2024**	**December 31, 2023**	**June 30, 2023**
Revolving term credit facilities	**481,163**	**372,097**	**281,354**
Working capital deficit (surplus)[1]	(40,836)	13,084	12,772
Fair value of financial instruments – asset[2]	30,005	3,588	7,979
Fair value of financial instruments – liability[2]	-	(1,394)	(9,516)
Other liabilities[2]	(5,137)	(5,069)	(14,068)
Adjusted working capital deficit (surplus)	**(15,968)**	**10,209**	**(2,833)**
Total debt	**465,195**	**382,306**	**278,521**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

All financial and operational information contained in this MD&A for the Reporting Periods and Comparable Prior Periods 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 acquisitions, 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;
- statements relating to the COA, including: that this arrangement will allow Birchcliff to leverage cost optimization opportunities that exist between its 100% owned and operated gas plant in Pouce Coupe and the Gordondale Facility; and that these optimization opportunities are expected to drive lower operating costs, reduce downtime and optimize NGLs recoveries for Birchcliff;
- the information set forth under the heading *"Updated 2024 Guidance"* as it relates to Birchcliff's outlook and guidance, including: forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, total debt at year end and natural gas market exposure in 2024; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2024; that lower power and fuel costs are forecasted for the remainder of the year; that lower anticipated adjusted funds flow is expected to result in higher total debt at year-end 2024 than previously forecast; that the accounting treatment for the COA under IFRS Accounting Standards and the associated impact on its financial statements will be reflected in the Corporation's Q3 2024 results; and that Birchcliff does not anticipate that the borrowing base limit and amounts available under its Credit Facilities or its forecast of total debt will be affected by the accounting treatment for the COA;
- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- estimates of future development costs;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: 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 the Corporation believes that its anticipated adjusted funds flow in 2024 and available Credit Facilities will be sufficient to fund its ongoing capital requirements in 2024, which include its working capital, F&D capital expenditures and dividend payments approved by the Board; that should commodity prices deteriorate significantly, Birchcliff may adjust its capital requirements, seek additional debt/equity financing and/or consider the potential sale of non-core assets; that the unutilized credit capacity under the Credit Facilities provides Birchcliff with significant financial flexibility and available capital resources; and the Corporation's expectation that counterparties will be able to meet their financial obligations;

- 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 current or 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;
- statements regarding regulations relating to climate change and climate-related matters; and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow and free funds flow to be lower than their respective historical amounts primarily due to lower anticipated natural gas prices.

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

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: 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 obtain the anticipated benefits of the COA; 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 2024 guidance (as updated on August 14, 2024), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Updated 2024 Guidance".* In addition:
    - Birchcliff's production guidance assumes that: the 2024 capital program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
    - Birchcliff's forecast of F&D capital expenditures assumes that the 2024 capital program will be carried out as currently contemplated and excludes any potential acquisitions, 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 2024 capital program will be carried out as currently contemplated and the level of capital spending for 2024 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 financial basis swap contracts outstanding as at August 8, 2024, and excludes cash incentive payments that have not been approved by the Board.
- Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow and free funds flow are achieved, with the level of capital spending for 2024 met and the payment of an annual base dividend of approximately $108 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no buybacks of common shares during 2024; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2024; (v) there are no equity issuances during 2024; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2024. 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) 147,500 MMBtu/d being contracted on a financial basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.12/MMBtu; and (iii) 8,014 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 financial basis swap contracts outstanding as at August 8, 2024.

- With respect to statements regarding future wells to be drilled or 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: 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; an inability of Birchcliff to generate sufficient cash flow from operations to meet its current and future obligations; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with the 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 risk that weather events such as wildfires, flooding, droughts or extreme hot or cold temperatures forces the Corporation to shut-in production or otherwise adversely affects the Corporation's operations; the occurrence of unexpected events such as fires, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; risks associated with supply chain disruptions; 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 uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures; 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; the risks posed by pandemics, epidemics and global conflict (including the Russian invasion of Ukraine and the Israel-Hamas conflict) 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; stock market volatility; loss of market demand; 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 (including uncertainty with respect to the interpretation of Bill C-59 and the related amendments to the *Competition Act* (Canada)); 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 realize the anticipated benefits of the COA; 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; the accuracy of the Corporation's accounting estimates and judgments; and 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).

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 Birchcliff's results of operations, financial performance or financial results are included in the AIF and MD&A for the financial year ended December 31, 2023 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

This MD&A contains information that may constitute future-oriented 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.

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 and FOFI contained in this MD&A are expressly qualified by the foregoing cautionary statements. The forward-looking statements and FOFI 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 or FOFI, 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,	June 30, 2024	December 31, 2023	January 1, 2023
ASSETS			*(Note 3)*
Current assets:			
Cash	112	55	74
Accounts receivable	60,695	75,105	125,005
Prepaid expenses and deposits	28,233	23,304	12,140
Financial instruments *(Note 13)*	30,005	3,588	17,729
	119,045	102,052	154,948
Non-current assets:			
Investments *(Note 14)*	10,151	10,567	10,961
Property, plant and equipment *(Note 4)*	3,087,639	3,055,958	2,972,592
Financial instruments *(Note 13)*	27,282	8,333	30,864
	3,125,072	3,074,858	3,014,417
Total assets	**3,244,117**	**3,176,910**	**3,169,365**
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	73,072	94,822	143,787
Other liabilities *(Note 10)*	5,137	18,920	13,084
Financial instruments *(Note 13)*	-	1,394	1,345
	78,209	115,136	158,216
Non-current liabilities:			
Revolving term credit facilities *(Note 5)*	481,163	372,097	131,981
Decommissioning obligations *(Note 6)*	89,331	91,324	99,720
Deferred income taxes	371,979	361,285	355,115
Other liabilities *(Note 10)*	9,330	10,160	11,680
Financial instruments *(Note 13)*	-	1,463	-
	951,803	836,329	598,496
Total liabilities	1,030,012	951,465	756,712
SHAREHOLDERS' EQUITY			
Common share capital *(Note 7)*	1,437,119	1,429,198	1,430,944
Contributed surplus	107,820	104,662	86,560
Retained earnings	669,166	691,585	895,149
Total shareholders' equity	2,214,105	2,225,445	2,412,653
Total shareholders' equity and liabilities	**3,244,117**	**3,176,910**	**3,169,365**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

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

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
REVENUE				
Petroleum and natural gas revenue *(Note 9)*	146,976	171,291	310,280	379,938
Marketing revenue *(Note 9)*	16,046	6,914	25,514	16,352
Royalties	(6,824)	(7,657)	(21,291)	(36,965)
Realized loss on financial instruments *(Note 13)*	(5,170)	(13,239)	(10,798)	(29,050)
Unrealized gain (loss) on financial instruments *(Note 13)*	70,747	48,240	48,223	(35,192)
Other income (expense)	40	(828)	95	(771)
	221,815	204,721	352,023	294,312
EXPENSES				
Operating	24,422	25,707	50,849	52,209
Transportation	39,928	39,347	76,553	73,864
Marketing purchases *(Note 9)*	14,950	6,601	22,061	17,226
Administrative, net	10,275	13,073	20,536	24,922
Depletion and depreciation *(Note 4)*	60,795	56,460	119,512	111,924
Finance	10,658	6,017	19,823	10,778
Other losses *(Note 14)*	-	771	651	523
	161,028	147,976	309,985	291,446
Net income before taxes	60,787	56,745	42,038	2,866
Deferred income tax expense	(14,407)	(13,992)	(10,693)	(2,661)
NET INCOME AND COMPREHENSIVE INCOME	**46,380**	**42,753**	**31,345**	**205**
Net income per common share *(Note 8)*				
Basic	**$0.17**	**$0.16**	**$0.12**	**$0.00**
Diluted	**$0.17**	**$0.16**	**$0.12**	**$0.00**

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)

	Common Share Capital	Contributed Surplus	Retained Earnings	Total
As at December 31, 2022	1,430,944	86,560	895,149	2,412,653
Issuance of common shares	5,697	(1,481)	-	4,216
Repurchase of common shares	(10,261)	-	-	(10,261)
Dividends on common shares	-	-	(106,633)	(106,633)
Stock-based compensation	-	9,596	-	9,596
Net income and comprehensive income	-	-	205	205
As at June 30, 2023	**1,426,380**	**94,675**	**788,721**	**2,309,776**
As at December 31, 2023	1,429,198	104,662	691,585	2,225,445
Issuance of common shares *(Notes 7 & 11)*	7,921	(2,010)	-	5,911
Dividends on common shares *(Note 7)*	-	-	(53,764)	(53,764)
Stock-based compensation *(Note 11)*	-	5,168	-	5,168
Net income and comprehensive income	-	-	31,345	31,345
As at June 30, 2024	**1,437,119**	**107,820**	**669,166**	**2,214,105**

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 June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Cash provided by (used in):				
OPERATING				
Net income	46,380	42,753	31,345	205
Adjustments for items not affecting operating cash:				
Unrealized (gain) loss on financial instruments *(Note 13)*	(70,747)	(48,240)	(48,223)	35,192
Depletion and depreciation *(Note 4)*	60,795	56,460	119,512	111,924
Other compensation	1,375	2,424	2,868	4,815
Finance	10,658	6,017	19,823	10,778
Other loss	-	771	651	523
Deferred income tax expense	14,407	13,992	10,693	2,661
Interest paid	(9,204)	(4,527)	(16,924)	(7,711)
Retirement benefit payments (*Note 10*)	-	-	(13,851)	-
Decommissioning expenditures *(Note 6)*	(215)	(1,160)	(353)	(1,534)
Changes in non-cash working capital	(26,578)	(6,137)	(13,415)	16,830
	26,871	62,353	92,126	173,683
FINANCING				
Issuance of common shares *(Note 7)*	1,222	1,418	5,911	4,216
Repurchase of common shares (*Note 7*)	-	(10,261)	-	(10,261)
Financing fees paid	(3,400)	-	(3,400)	-
Lease payments *(Note 10)*	(615)	(615)	(1,229)	(1,229)
Dividends on common shares *(Note 7)*	(26,907)	(53,241)	(53,764)	(106,633)
Net change in revolving term credit facilities *(Note 5)*	55,643	89,502	111,687	148,523
	25,943	26,803	59,205	34,616
INVESTING				
Exploration and development *(Note 4)*	(48,381)	(64,755)	(151,154)	(179,794)
Dispositions *(Note 4)*	-	77	109	77
Administrative assets *(Note 4)*	(321)	(563)	(1,141)	(1,183)
Investments	92	(720)	(234)	(1,170)
Changes in non-cash working capital	(4,135)	(23,190)	1,146	(26,226)
	(52,745)	(89,151)	(151,274)	(208,296)
Net change in cash	69	5	57	3
Cash, beginning of period	43	72	55	74
CASH, END OF PERIOD	**112**	**77**	**112**	**77**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT JUNE 30, 2024, AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

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 Birchcliff's board of directors (the "**Board**") on August 14, 2024.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under IFRS Accounting Standards ("**IFRS**") as at June 30, 2024, and for the three and six months ended June 30, 2024, including the 2023 comparative periods. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2023. 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, 2023.

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. All references to "US$" are to United States dollars. Birchcliff does not have any subsidiaries.

3. CHANGES IN ACCOUNTING POLICY

Effective January 1, 2024, Birchcliff adopted the amendments to IAS 1, *Presentation of Financial Statements*, whereby the classification of certain non-current liabilities may need to be reclassified as current. Under the previous IAS 1 requirements, companies classified a liability as current when they did not have an unconditional right to defer settlement for at least 12 months after the reporting date. The IASB removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. This amendment is retrospective and requires reclassification for the periods ended December 31, 2023 and January 1, 2023.

Due to the change in policy, there is a retrospective impact on the comparative statements of financial position at December 31, 2023 and January 1, 2023, as Birchcliff had executives who were eligible for, and entitled to, retirement benefit payments upon retirement. In the case of these executives retiring, their executive retirement benefit obligation would become payable and Birchcliff would not have the right to defer the settlement of the liability for at least 12 months. As such, the liability is impacted by the revised policy. Birchcliff reclassified approximately $2.6 million and $11.2 million from non-current other liabilities to current other liabilities for the periods ended December 31, 2023 and January 1, 2023, respectively. The related liability is now classified as current for the period ended June 30, 2024. See Note 10 for further details.

4. PROPERTY, PLANT AND EQUIPMENT

The continuity for property, plant and equipment ("**PP&E**") is as follows:

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2022	406	4,710,080	20,078	25,224	4,755,788
Additions	-	311,436	951	3,176	315,563
Acquisitions	-	620	-	-	620
Dispositions	-	(6,303)	-	-	(6,303)
As at December 31, 2023	406	5,015,833	21,029	28,400	5,065,668
Additions	-	150,161	-	1,141	151,302
Dispositions	-	(109)	-	-	(109)
As at June 30, 2024[1]	406	5,165,885	21,029	29,541	5,216,861
Accumulated depletion and depreciation:					
As at December 31, 2022	-	(1,753,992)	(8,016)	(21,188)	(1,783,196)
Depletion and depreciation expense[2]	-	(222,938)	(2,035)	(1,541)	(226,514)
As at December 31, 2023	-	(1,976,930)	(10,051)	(22,729)	(2,009,710)
Depletion and depreciation expense[2]	-	(117,600)	(1,018)	(894)	(119,512)
As at June 30, 2024	-	(2,094,530)	(11,069)	(23,623)	(2,129,222)
Net book value:					
As at December 31, 2023	**406**	**3,038,903**	**10,978**	**5,671**	**3,055,958**
As at June 30, 2024	**406**	**3,071,355**	**9,960**	**5,918**	**3,087,639**

(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.

(2) Future development costs required to develop and produce proved and probable oil and gas reserves totalled approximately $4.9 billion at June 30, 2024 (December 31, 2023 – $5.0 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an asset impairment test is performed if Birchcliff identifies indicators of impairment at the end of a reporting period. As at June 30, 2024 and December 31, 2023, Birchcliff determined that there were no asset impairment indicators present and therefore an impairment test was not required.

5. REVOLVING TERM CREDIT FACILITIES

The components of the Corporation's revolving term credit facilities include:

As at, *($000s)*	**June 30, 2024**	**December 31, 2023**
Syndicated credit facility	483,657	358,722
Working capital facility	1,969	15,217
Drawn revolving term credit facilities	485,626	373,939
Unamortized deferred financing fees	(4,463)	(1,842)
Revolving term credit facilities	**481,163**	**372,097**

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

Effective May 6, 2024, the agreement governing the Credit Facilities was amended to extend the maturity dates of each of the Syndicated Credit Facility and the Working Capital Facility from May 11, 2025, to May 11, 2027. In addition, the lenders confirmed the borrowing base limit at $850.0 million. The maturity date of the Credit Facilities may, at the request of the Corporation and with consent of the lenders, be extended on an annual basis, for an additional period of up to three years from May 11 of the year in which the extension request is made. The Credit Facilities do not contain any financial maintenance covenants.

6. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations to be approximately $266.3 million at June 30, 2024 (December 31, 2023 – $250.8 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**June 30, 2024**	**December 31, 2023**
Balance, beginning	91,324	99,720
Obligations incurred	1,566	2,778
Obligations acquired	-	430
Obligations divested	-	(764)
Changes in estimated future cash flows(1)	(5,059)	(8,631)
Accretion	1,853	3,700
Decommissioning expenditures(2)	(353)	(5,909)
Balance, ending	**89,331**	**91,324**

(1) Primarily relates to changes in the inflation rate and discount nominal risk-free rate used to calculate the present value of the decommissioning obligations. Birchcliff applied an inflation rate of 1.80% and a discount nominal risk-free rate of 3.39% to calculate the present value of the decommissioning obligations at June 30, 2024 and an inflation rate of 1.62% and a discount nominal risk-free rate of 3.02% at December 31, 2023.

(2) Includes $2.1 million of funding from the Alberta Site Rehabilitation Program for the 2023 period that was recorded to income as "other gain".

7. CAPITAL STOCK

Share Capital

Authorized

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.

Number of Common Shares Issued and Outstanding

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

As at, *(000s)*	**June 30, 2024**	**December 31, 2023**
Outstanding at beginning of period	267,156	266,047
Issuance of common shares(1)	1,975	2,537
Repurchase of common shares(2)	-	(1,428)
Outstanding at end of period	**269,131**	**267,156**

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

(2) On November 20, 2023, 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 13,328,267 of its outstanding common shares over a period of twelve months commencing on November 27, 2023 and terminating no later than November 26, 2024. 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 275,590 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 six months ended June 30, 2024, the Corporation did not purchase any common shares pursuant to the NCIB.

Dividends

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

	Three months ended June 30,		**Six months ended June 30,**	
	2024	**2023**	**2024**	**2023**
Dividends on common shares *($000s)*	26,907	53,241	53,764	106,633
Per common share *($)*	0.10	0.20	0.20	0.40

On May 15, 2024, the Board declared a quarterly cash dividend of $0.10 per common share for the quarter ending June 30, 2024. The dividend was paid on June 28, 2024 to shareholders of record at the close of business on June 14, 2024. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

8. EARNINGS PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Net income to common shareholders *($000s)*	**46,380**	**42,753**	**31,345**	**205**
Weighted average basic common shares outstanding *(000s)*	268,878	266,354	268,391	266,400
Dilutive securities *(000s)*	3,346	6,011	3,498	6,462
Weighted average diluted common shares outstanding *(000s)*[1]	272,224	272,365	271,889	272,862
Per basic common share	**$0.17**	**$0.16**	**$0.12**	**$0.00**
Per diluted common share	**$0.17**	**$0.16**	**$0.12**	**$0.00**

(1) The weighted average diluted common shares outstanding excludes 15,767,034 stock options that were anti-dilutive for the three and six months ended June 30, 2024 (June 30, 2023 – 5,961,067, respectively).

9. REVENUE

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2024**	**2023**	**2024**	**2023**
Light oil sales	23,045	15,837	36,265	35,699
Condensate[1]	43,318	48,799	86,795	99,861
NGLs sales[2]	16,037	14,169	34,604	25,024
Natural gas sales	64,546	92,448	152,568	219,270
P&NG sales[3][4]	146,946	171,253	310,232	379,854
Royalty income	30	38	48	84
P&NG revenue	146,976	171,291	310,280	379,938
Marketing revenue[5]	16,046	6,914	25,514	16,352
Revenue from contracts with customers	**163,022**	**178,205**	**335,794**	**396,290**

(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 period.

(4) Included in accounts receivable at June 30, 2024, was $48.6 million (June 30, 2023 – $56.4 million) in P&NG sales to be received from its marketers in respect of June 2024 production, which was subsequently received in July 2024.

(5) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain commodity purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. The value of commodities purchased and sold during the period is primarily driven by prevailing commodity prices, the availability of sellers and buyers for fractionated production and fractionation capacity available in the market. The value of commodities purchased and sold to third parties are recorded on a gross basis for financial statement presentation purposes. Marketing revenue also includes a propane supply arrangement with a third-party polypropylene producer, which is recorded net of processing costs and other charges. For the three and six months ended June 30, 2024, the Corporation had marketing purchases from third parties of $15.0 million and $22.1 million, respectively (June 30, 2023 – $6.6 million and $17.2 million).

10. 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 was approximately $9.3 million as at June 30, 2024 (December 31, 2023 – $23.2 million).

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

As at, *($000s)*	June 30, 2024	December 31, 2023
Balance, beginning	16,465	11,170
Obligations incurred[(1)]	200	5,637
Accretion	37	171
Loss on settlement	-	1,487
Retirement benefit payments	(13,851)	(2,000)
Balance, ending[(2)]	**2,851**	**16,465**
Current portion	2,630	16,413[(3)]
Long-term portion	221	52[(3)]

(1) Represents the past and current 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 June 30, 2024 and December 31, 2023.

(3) As a result of the IAS 1 amendment, approximately $2.6 million and $11.2 million in post-employment benefit obligations were reclassified on a retrospective basis from long-term portion to current portion for the periods ended December 31, 2023 and January 1, 2023. See Note 3 for further details.

Lease Obligations

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations was approximately $12.7 million at June 30, 2024 (December 31, 2023 – $13.9 million) and is expected to be settled no later than 2029.

A reconciliation of the discounted lease obligations is set forth below:

As at, *($000s)*	June 30, 2024	December 31, 2023
Balance, beginning	12,615	13,594
Lease payments	(1,229)	(2,458)
Change in estimate	-	951
Accretion	230	528
Balance, ending[(1)]	**11,616**	**12,615**
Current portion	2,507	2,507
Long-term portion	9,109	10,108

(1) Birchcliff applied a discount rate of 4.7% to calculate the present value of the lease obligations at June 30, 2024 and December 31, 2023.

11. SHARE-BASED PAYMENT

Stock Options

At June 30, 2024, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,913,144 (June 30, 2023 – 26,622,158) common shares. At June 30, 2024, there remained 6,501,763 (June 30, 2023 – 7,772,983) stock options available for issuance. For the stock options exercised during the six months ended June 30, 2024, the weighted average common share trading price on the TSX was $5.55 (June 30, 2023 – $8.22) per common share.

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

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	Number	Price *($)*[(1)]	Number	Price *($)*[(1)]	Number	Price *($)*[(1)]	Number	Price *($)*[(1)]
Outstanding, beginning	21,010,655	6.09	19,389,198	5.65	22,779,950	5.95	20,322,784	5.53
Granted[(2)]	239,400	5.81	50,300	7.60	275,200	5.71	73,000	7.80
Exercised	(553,441)	(2.21)	(499,956)	(2.84)	(1,975,769)	(2.99)	(1,440,042)	(2.93)
Forfeited	(241,400)	(7.15)	(90,367)	(9.11)	(423,767)	(7.26)	(106,567)	(8.79)
Expired	(43,833)	(8.59)	-	-	(244,233)	(8.04)	-	-
Outstanding, ending	**20,411,381**	**6.18**	**18,849,175**	**5.72**	**20,411,381**	**6.18**	**18,849,175**	**5.72**

(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 June 30, 2024 was $1.53 (June 30, 2023 – $1.77). In determining the stock-based compensation expense for options issued during the three months ended June 30, 2024, the Corporation applied a weighted average estimated forfeiture rate of 7.0% (June 30, 2023 – 7.2%).

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

Three months ended,	June 30, 2024	June 30, 2023
Risk-free interest rate	3.8%	3.3%
Expected life *(years)*	4.0	4.0
Expected volatility	50.2%	57.6%
Dividend yield	6.8%	10.4%

A summary of the stock options outstanding and exercisable under the Option Plan at June 30, 2024 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	4,515,346	1.05	2.00	4,515,346	1.05	2.00
3.01	6.00	323,201	3.69	5.08	95,667	1.93	4.02
6.01	9.00	10,164,334	3.43	6.37	3,618,222	2.40	6.58
9.01	11.65	5,408,500	3.42	9.37	2,185,111	3.38	9.37
		20,411,381	**2.91**	**6.18**	**10,414,346**	**2.02**	**5.16**

Performance Warrants

At June 30, 2024, there remained 404,967 performance warrants (December 31, 2023 – 404,967) outstanding with an expiry date of January 31, 2025.

12. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base 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 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 Credit Facilities 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 six months ended June 30, 2024.

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

As at, *($000s)*	June 30, 2024	December 31, 2023
Maximum borrowing base limit(1):		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(481,163)	(372,097)
Unamortized deferred financing fees	(4,463)	(1,842)
Outstanding letters of credit	(185)	(185)
	(485,811)	(374,124)
Unused credit	**364,189**	**475,876**

(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. See Note 5.

The capital structure of the Corporation is as follows:

As at, *($000s)*	June 30, 2024	December 31, 2023	% Change
Total shareholders' equity	**2,214,105**	**2,225,445**	**(1)**
Total shareholders' equity as a % of total capital	83%	85%	
Revolving term credit facilities	481,163	372,097	
Working capital (surplus) deficit(1)	(40,836)	13,084	
Fair value of financial instruments - asset(2)	30,005	3,588	
Fair value of financial instruments - liability(2)	-	(1,394)	
Other liabilities(3)	(5,137)	(5,069)	
Adjusted working capital (surplus) deficit(4)	(15,968)	10,209	
Total debt	**465,195**	**382,306**	**22**
Total debt as a % of total capital	17%	15%	
Total capital	**2,679,300**	**2,607,751**	**3**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

(3) Reflects the current portion of other liabilities discounted at the end of the period.

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

13. 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.

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 the Corporation's financial performance, operating results and financial position. Commodity prices for P&NG are not only influenced by Canadian and the United States supply and demand, but also by world events that dictate the levels of supply and demand globally.

Financial Derivative Contracts

At June 30, 2024, 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 June 30, 2024, Birchcliff had the following financial derivative contracts in place 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]	15,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	2,193
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	712
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	726
Natural gas	AECO 7A basis swap[2]	12,500 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	3,319
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	2,724
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	2,465
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	922
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	2,172
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	1,091
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	8,191
Natural gas	AECO 7A basis swap[2]	35,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	9,982
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	1,701
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	3,170
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	781
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu	1,963
Natural gas	AECO 7A basis swap[2]	40,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.979/MMBtu	6,192
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.960/MMBtu	3,434
Natural gas	AECO 7A basis swap[2]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu	5,549
				Fair value	**57,287**

(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 June 30, 2024, if the future NYMEX HH/AECO 7A basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in the six months ended June 30, 2024 would have changed by approximately $11.3 million.

There were no financial derivative contracts entered into subsequent to June 30, 2024 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. The Corporation had no financial derivative contracts in place to manage interest rate risk as at June 30, 2024.

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 June 30, 2024.

14. 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 June 30, 2024, the Corporation determined the Securities had a fair value of approximately $7.3 million (December 31, 2023 – $8.1 million). Birchcliff recorded a loss on investment of approximately $0.7 million during the six months ended June 30, 2024 compared to a loss on investment of approximately $2.2 million during the six months ended June 30, 2023.

During the six months ended June 30, 2024, Birchcliff redeemed 91,287 Preferred Trust Units (June 30, 2023 – 138,669) for aggregate proceeds of approximately $0.1 million (June 30, 2023 – $0.1 million).

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Chris Carlsen
President and Chief Executive Officer

Bruno Geremia
Executive Vice President and
Chief Financial Officer

Theo van der Werken
Chief Operating Officer

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

Duane Thompson
Vice President, Operations

Hue Tran
Vice President, Business Development and
Marketing

DIRECTORS

Jeff Tonken
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

Cameron Proctor
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Jordon Cheung
Drilling Manager

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Lee Grant
Manager of Engineering

Dan Lundstrom
Health and Safety Manager

Kevin Matiasz
Completions Manager

Paul Messer
Manager of Information Technology

Tyler Murray
Mineral Land, Acquisitions and Dispositions
Manager

Tam Nguyen
Manager of Marketing

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager, Human Resources and
Corporate Services

Jeff Rogers
Facilities Manager

Victor Sandhawalia
Manager of Finance

Daniel Sharp
Manager of Geology

Greg Vreim
Manager of Production

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The Bank of Nova Scotia
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Canadian Imperial Bank of Commerce
Bank of Montreal
ATB Financial
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