BIRCHCLIFF ENERGY LTD. ANNOUNCES SPECIAL DIVIDEND, PRELIMINARY 2023 GUIDANCE AND UPDATED 2022 GUIDANCE

Calgary, Alberta (October 13, 2022) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce a special dividend on its common shares, its preliminary 2023 guidance and updated 2022 guidance.

Jeff Tonken, Birchcliff's Chief Executive Officer, commented: "By the end of 2022, we expect to have retired approximately \$840 million of total debt(1) and preferred shares since June 30, 2020, nearing our goal of zero total debt. As a result, our board of directors has declared a special cash dividend of \$0.20 per common share (approximately \$53 million in aggregate(2)) payable on October 28, 2022 and approved an \$80 million increase(3) to our F&D capital budget for 2022. This further capital investment in our business will help to ensure the most efficient execution of our 2023 capital program and will not increase our 2022 annual average production.

We expect that we will be in a cash surplus(4) position at the end of Q1 2023 after payment of this special dividend and the increase to our 2022 F&D capital budget.

Looking forward to 2023, we are currently targeting F&D capital expenditures in the range of \$240 million to \$270 million, which we expect will deliver annual average production of 81,000 to 83,000 boe/d and generate adjusted funds flow(5) of \$855 million and free funds flow(5) of \$585 million to \$615 million, based on current strip pricing. We continue to target an annual common share dividend of \$0.80 per share in 2023 (approximately \$213 million annually(2), payable quarterly), subject to commodity prices and the approval of our board of directors. After the payment of this targeted common share dividend of \$213 million, we are forecasting that we will have approximately \$370 million to \$400 million of excess free funds flow(5) in 2023 and a cash surplus of approximately \$295 million to \$325 million at December 31, 2023(6)."

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

SPECIAL DIVIDEND

Birchcliff's board of directors has declared a special cash dividend of \$0.20 per common share. The dividend will be payable on October 28, 2022 to shareholders of record at the close of business on October 21, 2022. The ex-dividend date is October 20, 2022. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

Birchcliff expects that a common share dividend in the amount of \$0.02 per share for the quarter ending December 31, 2022 will be declared by the Corporation's board of directors in November 2022. A press release containing the details of such dividend, including the payment date, will be issued at such time as the board of directors declares such dividend.

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

(2) Based on 266 million common shares outstanding.

(3) As compared to the Corporation's previous 2022 F&D capital expenditures guidance of \$275 million to \$285 million and based on the mid-point of guidance.

(4) Equivalent to "total surplus", which is a capital management measure. See *"Non-GAAP and Other Financial Measures"*.

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

(6) See *"Preliminary 2023 Guidance"* and *"Advisories – Forward-Looking Statements"* for further information regarding Birchcliff's preliminary 2023 guidance and its commodity price and exchange rate assumptions.

PRELIMINARY 2023 GUIDANCE

Birchcliff is currently targeting F&D capital expenditures of $240 million to $270 million in 2023, which is expected to deliver annual average production of 81,000 to 83,000 boe/d, a 5% increase over 2022(7). Based on these targeted levels of capital spending and production, Birchcliff currently expects that it will bring approximately 30 wells on production in 2023. Similar to 2022, the 2023 capital program will be designed to utilize multi-well pads and two drilling rigs, which is more operationally efficient for the Corporation. Birchcliff continues to secure multi-year contracts with its key service providers and has ordered various long-lead items, which will help to ensure the efficient execution of the Corporation's 2023 capital program, as well as help Birchcliff to mitigate inflationary pressures and manage supply chain constraints by ensuring security of equipment and services.

Birchcliff is currently forecasting that it will generate adjusted funds flow of approximately $855 million and free funds flow of approximately $585 million to $615 million in 2023, based on current strip pricing. This anticipated significant free funds flow provides the Corporation with the ability to sustainably increase shareholder returns. As previously disclosed, Birchcliff is currently targeting an annual common share dividend of $0.80 per share in 2023 (approximately $213 million annually), subject to commodity prices and the approval of the Corporation's board of directors. This common share dividend is expected to be paid quarterly at a rate of $0.20 per share, commencing with the quarter ending March 31, 2023. Birchcliff believes that this targeted dividend is sustainable at substantially lower commodity prices, with such targeted dividend and F&D capital expenditures for 2023 being fully funded from adjusted funds flow at an average WTI price of US$70.00/bbl, an average AECO price of CDN$3.00/GJ, an average Dawn price of US$3.20/MMBtu and an average NYMEX HH price of US$3.40/MMBtu(8). Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to enter into any, which gives it the ability to take advantage of any further strengthening of commodity prices above the Corporation's current commodity price assumptions for 2023.

After the payment of its anticipated common share dividend of $213 million, Birchcliff is forecasting that it will have approximately $370 million to $400 million of excess free funds flow in 2023. This anticipated excess free funds flow provides the Corporation with significant financial and operational flexibility, allowing it to focus on ways to further increase shareholder returns and enhance long-term shareholder value. Birchcliff will continue to strategically evaluate the potential uses for its excess free funds flow, which may include special dividends, increases to the Corporation's base dividend and/or common share buybacks. Consideration may also be given to other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value, such as further investments in its business and strategic acquisitions.

In addition, Birchcliff currently expects to use a portion of its excess free funds flow to establish a meaningful cash position. This will help to protect the Corporation's common share dividend and capital program in the event of a downturn in commodity prices and/or economic conditions and provide the Corporation with optionality to pursue various opportunities to enhance long-term shareholder value.

(7) Based on an annual average production rate of 78,000 boe/d in 2022 and 82,000 boe/d in 2023, which is the mid-point of Birchcliff's preliminary annual average production guidance range for 2023.

(8) Assuming all other variables are held constant.

The following table sets forth Birchcliff's preliminary guidance and commodity price assumptions for 2023, as well as its free funds flow sensitivity:

Preliminary 2023 Guidance and Commodity Price Assumptions

	Preliminary 2023 guidance and assumptions[1]
Annual Average Production *(boe/d)*	81,000 – 83,000
Average Expenses *($/boe)*	
Royalty[2]	4.95 – 5.15
Operating[2]	3.40 – 3.60
Transportation and other[3]	5.20 – 5.40
Interest[2]	negligible
Current income tax[2]	1.55 – 1.75
Adjusted Funds Flow *(millions)*[4]	$855
F&D Capital Expenditures *(millions)*[5]	$240 – $270
Free Funds Flow *(millions)*[4]	$585 – $615
Common Share Dividends *(millions)*[6]	$213
Excess Free Funds Flow *(millions)*[4][6]	$370 – $400
Total Surplus at Year End *(millions)*[7]	$295 – $325
Natural Gas Market Exposure	
AECO exposure as a % of total natural gas production	23%
Dawn exposure as a % of total natural gas production	41%
NYMEX HH exposure as a % of total natural gas production	36%
Commodity Prices	
Average WTI price *(US$/bbl)*	80.00
Average WTI-MSW differential *(CDN$/bbl)*	5.00
Average AECO price *(CDN$/GJ)*	4.80
Average Dawn price *(US$/MMBtu)*	5.30
Average NYMEX HH price *(US$/MMBtu)*	5.55
Exchange rate *(CDN$ to US$1)*	1.35

Forward Twelve Months' Free Funds Flow Sensitivity[8]

Forward twelve months' sensitivity	Estimated change to 2023 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$4.0
Change in NYMEX HH US$0.10/MMBtu	$7.5
Change in Dawn US$0.10/MMBtu	$7.7
Change in AECO CDN$0.10/GJ	$3.3
Change in CDN/US exchange rate CDN$0.01	$7.7

(1) Birchcliff's preliminary 2023 guidance for its adjusted funds flow, free funds flow, excess free funds flow, total surplus and natural gas market exposure in 2023 is based on an annual average production rate of 82,000 boe/d, which is the mid-point of Birchcliff's preliminary annual average production guidance range for 2023. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

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

(5) Birchcliff's estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and the capitalized portion of annual cash incentive payments that have not been approved by Birchcliff's board of directors. See *"Advisories – F&D Capital Expenditures"*.

(6) Assumes that an annual common share dividend of $0.80 per share is paid in 2023 and there are 266 million common shares outstanding. The declaration of dividends is subject to the approval of the board of directors and is subject to change. See *"Advisories – Forward-Looking Statements"*.

(7) Capital management measure. See *"Non-GAAP and Other Financial Measures"*. The estimate of total surplus at December 31, 2023 is expected to be comprised of adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year. Birchcliff previously referred to total surplus as "surplus".

(8) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of free funds flow for 2023 of $585 million to $615 million, holding all other variables constant. The sensitivity is based on the commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed

independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

Birchcliff's preliminary guidance for 2023 is based on its preliminary planning and takes into account expected increases in materials, labour and services costs as compared to the current year. Birchcliff continues to work through its plans for 2023 and expects to announce the details of its 2023 capital program and guidance on January 18, 2023, as well as its updated five year plan for 2023 to 2027.

UPDATED 2022 GUIDANCE

Birchcliff's Montney/Doig Resource Play continues to be one of the most profitable plays in North America and the Corporation's 2022 drilling program has delivered very strong results. As at the date hereof, Birchcliff has successfully completed the drilling of all 30 (30.0 net) wells and brought on production all 35 (35.0 net) wells previously planned under its 2022 capital program. The wells were drilled using the Corporation's two-drilling rig program and brought on production from 4 separate multi-well pads. All of the pads have expected payouts of less than one year. In addition, Birchcliff safely and efficiently completed a significant planned turnaround in Q2 2022 at its 100% owned and operated natural gas processing plant in Pouce Coupe.

As a result of Birchcliff nearing its goal of zero total debt, the successful execution of its 2022 capital program and the continued strength in commodity prices, the Corporation's board of directors has approved an $80 million increase to its 2022 F&D capital budget. Accordingly, total F&D capital expenditures in 2022 are now anticipated to be $355 million to $365 million.

Approximately 83% of the increase is attributable to additional DCCET activity, which will deliver incremental Montney/Doig production in early 2023 and allows Birchcliff to continue its two-drilling rig program throughout 2022 and into 2023. As no additional wells are expected to be brought on production until late December 2022, Birchcliff is not anticipating any significant additional production volumes in 2022. The remainder of the increase is attributable to the procurement of various long-lead items and the acceleration of select infrastructure and construction activities into 2022, which will help to ensure the most efficient execution of the Corporation's 2023 capital program and allows Birchcliff to manage supply chain constraints and mitigate inflationary pressures.

The Corporation's increased 2022 capital program contemplates that a total of 44 (44.0 net) wells will be drilled and 41 (41.0 net) wells will be brought on production by Birchcliff in 2022 and includes the following additional DCCET activity:

- The drilling and completion of 6 (6.0 net) Montney/Doig horizontal wells in Pouce Coupe on a 6-well pad (03-06). These additional wells are expected to be brought on production in late December 2022.
- The drilling of 6 (6.0 net) Montney/Doig horizontal wells in Pouce Coupe on a 6-well pad (14-06). These additional wells are expected to be completed and brought on production in Q1 2023.
- The drilling of 1 (1.0 net) well and 3 (3.0 net) surface holes on each of the Corporation's two 4-well pads in Pouce Coupe (15-27 and 04-23). These additional wells are expected to be completed and brought on production in the first half of 2023.

In addition, the Corporation is participating in the drilling and completion of 2 (0.375 net) Charlie Lake horizontal oil wells in Pouce Coupe, which are expected to be brought on production in Q1 2023.

The following table sets forth the number and types of wells expected to be drilled and brought on production in 2022:

Area	Total wells to be drilled in 2022		Total wells to be brought on production in 2022(1)	
	REVISED	**ORIGINAL**	**REVISED**	**ORIGINAL**
Pouce Coupe				
Montney D1 horizontal natural gas wells	16	9	15	12
Montney D2 horizontal natural gas wells	5	0	3	0
Montney C horizontal natural gas wells	4	2	2	2
Basal Doig/Upper Montney horizontal natural gas wells	10	10	12	12
Total – Pouce Coupe	**35**	**21**	**32**	**26**
Gordondale				
Montney D1 horizontal oil wells	4	4	4	4
Montney D2 horizontal oil wells	5	5	5	5
Total – Gordondale	**9**	**9**	**9**	**9**
TOTAL – COMBINED	**44**(2)	**30**	**41**	**35**

(1) Includes 5 wells that were drilled and rig released in Q4 2021.

(2) Does not include the 2 (0.375) net Charlie Lake wells.

Of the Corporation's increased $355 million to $365 million F&D capital budget, approximately $245 million to $250 million (approximately 70%) is expected to be allocated towards DCCET activities and $35 million to $40 million (approximately 10%) towards facilities and infrastructure, with the remainder allocated towards maintenance and optimization, land and seismic and other activities.

Birchcliff is updating its 2022 guidance to reflect its increased F&D capital budget and the payment of the special common share dividend on October 28, 2022, as well as lower forecasted commodity prices. Significant changes to Birchcliff's guidance include the following:

- As all of the wells previously planned under its 2022 capital program have been brought on production, Birchcliff now estimates annual average production of approximately 78,000 boe/d.
- Adjusted funds flow for 2022 is now anticipated to be $1.02 billion, primarily as a result of a lower commodity price forecast.
- F&D capital expenditures in 2022 are now anticipated to be $355 million to $365 million, as a result of the additional capital investment in 2022.
- Free funds flow for 2022 is now anticipated to be $655 million to $665 million and excess free funds flow for 2022 is now anticipated to be $585 million to $595 million, both as a result of the changes to Birchcliff's adjusted funds flow and F&D capital expenditures guidance. Birchcliff's excess free funds flow guidance has also been impacted by the special dividend.
- Birchcliff had previously forecast that it would have a total surplus of $160 million to $170 million at December 31, 2022 and reach its goal of zero total debt in Q4 2022. As a result of the additional capital investment in 2022, the special dividend and a lower commodity price forecast, Birchcliff now expects that it will have total debt of $60 million to $70 million at December 31, 2022. Excluding the special dividend (approximately $53 million in aggregate, based on 266 million common shares outstanding) and the additional capital investment of $80 million, Birchcliff forecasts that it would have had a total surplus of approximately $65 million to $75 million at December 31, 2022. Birchcliff expects to be in a total surplus position at the end of Q1 2023.

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

2022 Guidance and Commodity Price Assumptions

	Updated 2022 guidance and assumptions – October 13, 2022[1]	Previous 2022 guidance and assumptions – August 10, 2022	Original 2022 guidance and assumptions – January 19, 2022
Production			
Annual average production *(boe/d)*	78,000	78,000 – 80,000	78,000 – 80,000
% Light oil	3%	3%	3%
% Condensate	6%	6%	7%
% NGLs	10%	10%	10%
% Natural gas	81%	81%	80%
Q4 average production *(boe/d)*	81,000 – 83,000	81,000 – 83,000	81,000 – 83,000
Average Expenses *($/boe)*			
Royalty[2]	6.70 – 6.80	6.60 – 6.80	3.10 – 3.30
Operating[2]	3.40 – 3.50	3.30 – 3.50	3.15 – 3.35
Transportation and other[3]	5.40 – 5.50	5.30 – 5.50	4.90 – 5.10
Interest[2]	0.40 – 0.50	0.30 – 0.50	0.50 – 0.60
Adjusted Funds Flow *(millions)*[4]	$1,020	$1,115	$590
F&D Capital Expenditures *(millions)*	$355 – $365[5]	$275 – $285	$240 – $260
Free Funds Flow *(millions)*[4]	$655 – $665	$830 – $840	$330 – $350
Common Share Dividends *(millions)*	$72[6]	$20	$20
Excess Free Funds Flow *(millions)*[4]	$585 – $595[6]	$810 – $820	N/A[7]
Total (Debt) Surplus at Year End *(millions)*[8]	($60) – ($70)[9]	$160 – $170	($175) – ($195)
Natural Gas Market Exposure			
AECO exposure as a % of total natural gas production	15%	16%	19%
Dawn exposure as a % of total natural gas production	42%	42%	42%
NYMEX HH exposure as a % of total natural gas production	38%	38%	38%
Alliance exposure as a % of total natural gas production	5%	4%	1%
Commodity Prices			
Average WTI price *(US$/bbl)*	95.00	99.00	76.00
Average WTI-MSW differential *(CDN$/bbl)*	2.50	3.60	5.00
Average AECO price *(CDN$/GJ)*	5.25	5.60	3.50
Average Dawn price *(US$/MMBtu)*	6.35	6.65	3.90
Average NYMEX HH price *(US$/MMBtu)*	6.85	6.95	4.00
Exchange rate *(CDN$ to US$1)*	1.30	1.28	1.26

Forward Three Months' Free Funds Flow Sensitivity[10]

Forward three months' sensitivity	Estimated change to 2022 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$1.0
Change in NYMEX HH US$0.10/MMBtu	$1.3
Change in Dawn US$0.10/MMBtu	$1.8
Change in AECO CDN$0.10/GJ	$1.2
Change in CDN/US exchange rate CDN$0.01	$1.3

(1) For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

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

(5) Birchcliff's updated estimate of F&D capital expenditures excludes any net potential acquisitions and dispositions and the capitalized portion of annual cash incentive payments that have not been approved by Birchcliff's board of directors. See *"Advisories – F&D Capital Expenditures"*.

(6) Assumes that: (i) a special dividend of $0.20 per common share is paid on October 28, 2022 and a dividend of $0.02 per common share is paid for the quarter ending December 31, 2022; and (ii) there are 266 million common shares outstanding. Other than the special dividend of $0.20 to be paid on October 28, 2022,

the declaration of dividends is subject to the approval of the board of directors and is subject to change. See *"Advisories – Forward-Looking Statements"*.

(7) This measure was not disclosed on January 19, 2022.

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

(9) Birchcliff's updated estimate of total debt at December 31, 2022 is expected to be comprised of any amounts outstanding under the Corporation's extendible revolving credit facilities (the "**Credit Facilities**") and adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year.

(10) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's estimate of free funds flow for 2022 of $655 million to $665 million, 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.

FORECAST ROYALTIES, TAXES AND FEES

Birchcliff currently forecasts that total royalties and other taxes and fees to be paid to the Province of Alberta in 2022 and 2023 will be in the amount of approximately $206 million and $168 million, respectively. Royalties are comprised of payments in respect of production and revenue from Birchcliff's oil and natural gas wells producing in Alberta. Other taxes and fees primarily include municipal property taxes, regulatory compliance and administration fees, surface and mineral lease rentals and land sale bonuses paid to acquire development rights in the Province.

Birchcliff currently forecasts that corporate income taxes to be paid to the Federal Government in 2023 will be in the amount of approximately $49 million. The Corporation expects to have sufficient tax pools available to offset taxable income in 2022 and therefore no corporate income taxes are expected to paid in 2022.

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

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

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

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

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

	Three months ended June 30,		Six months ended June 30,		Twelve months ended December 31,
($000s)	**2022**	**2021**	**2022**	**2021**	**2021**
Cash flow from operating activities	**273,711**	**81,013**	**427,863**	**163,621**	**515,369**
Change in non-cash operating working capital	11,199	8,982	40,029	13,111	21,161
Decommissioning expenditures	625	193	1,342	1,276	3,203
Adjusted funds flow	**285,535**	**90,188**	**469,234**	**178,008**	**539,733**
F&D capital expenditures	(84,247)	(80,887)	(172,529)	(176,727)	(230,479)
Free funds flow	**201,288**	**9,301**	**296,705**	**1,281**	**309,254**
Dividends on common shares	(5,310)	(1,333)	(7,968)	(2,663)	(6,639)
Excess free funds flow	**195,978**	**7,968**	**288,737**	**(1,382)**	**302,615**

Transportation and Other Expense

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

($000s)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021	Twelve months ended December 31, 2021
Transportation expense	**39,855**	**38,165**	**77,692**	**75,849**	**151,263**
Marketing purchases	2,644	1,734	6,213	3,781	18,034
Marketing revenue	(3,043)	(2,234)	(7,277)	(4,692)	(20,722)
Marketing gain	**(399)**	**(500)**	**(1,064)**	**(911)**	**(2,688)**
Transportation and other expense	**39,456**	**37,665**	**76,628**	**74,938**	**148,575**

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 where similar terminology is used. Set forth below is a description of the non-GAAP ratio used in this press release.

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.

Supplementary Financial Measures

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

Capital Management Measures

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

Total Debt and Total Surplus

Birchcliff calculates “total debt (surplus)” as the amounts outstanding under the Corporation’s Credit Facilities (if any) plus adjusted working capital deficit (less adjusted working capital surplus) at the end of the period. “Adjusted working capital deficit (surplus)” is calculated as working capital deficit (surplus) (determined as current liabilities less current assets) 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 capital securities at the end of the period. Management believes that total debt (surplus) 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, as determined in accordance with GAAP, to total debt and adjusted working capital (surplus), respectively for the periods indicated:

As at, *($000s)*	June 30, 2022	December 31, 2021
Revolving term credit facilities	**276,030**	**500,870**
Working capital deficit[(1)]	18,633	53,312
Fair value of financial instruments – asset[(2)]	13,099	69
Fair value of financial instruments – liability[(2)]	(2,663)	(16,586)
Capital securities	(38,205)	(38,268)
Adjusted working capital (surplus)	**(9,136)**	**(1,473)**
Total debt[(3)]	**266,894**	**499,397**

(1) Current liabilities less current assets

(2) Reflects the current portion only.

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

ADVISORIES

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

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.

F&D Capital Expenditures

Unless otherwise stated, references in this press release to "F&D capital expenditures" denotes exploration and development expenditures determined in accordance with GAAP. Management believes that F&D capital expenditures assists management and investors in assessing Birchcliff capital cost outlay associated with its exploration and development activities for the purposes of finding and developing its reserves.

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 the following:

- Birchcliff’s plans and other aspects of its anticipated future financial performance, results, operations, focus, objectives, strategies, opportunities, priorities and goals, including: that by the end of 2022, Birchcliff expects to have retired approximately $840 million of total debt and preferred shares since June 30, 2022, nearing its goal of zero total debt; and that Birchcliff expects that it will be in a cash surplus position at the end of Q1 2023 after payment of the special dividend and the increase to its 2022 F&D capital budget;
- the declaration and payment of future dividends, including: that Birchcliff continues to target an annual common share dividend of $0.80 per share in 2023 (approximately $213 million annually), subject to commodity prices and the approval of its board of directors; that this common share dividend is expected to be paid quarterly at a rate of $0.20 per share, commencing with the quarter ending March 31, 2023; Birchcliff’s belief that this targeted dividend is sustainable at substantially lower commodity prices, with such targeted dividend and F&D capital expenditures for 2023 being fully funded from adjusted funds flow at an average WTI price of US$70.00/bbl, an average AECO price of CDN$3.00/GJ, an average Dawn price of US$3.20/MMBtu and an average NYMEX HH price of US$3.40/MMBtu; and that Birchcliff expects that a common share dividend in the amount of $0.02 per share for the quarter ending December 31, 2022 will be declared by the Corporation’s board of directors in November 2022;
- the information set forth under the heading *“Updated 2022 Guidance”* and elsewhere in this press release as it relates to Birchcliff’s updated outlook, guidance and capital program for 2022, including: estimates of annual and Q4 average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures and the allocation of such expenditures, free funds flow, common share dividends, excess free funds flow, total debt at year end and natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff’s estimate of free funds flow; that the further capital investment in its business will help to ensure the most efficient execution of its 2023 capital program and will not increase its 2022 annual average production; that the pads brought on production year-to-date have expected payouts of less than one year; the objectives of, the anticipated results from and expected benefits of the increased 2022 capital program (including: that the additional DCCET activity will deliver incremental Montney/Doig production in early 2023 and allows Birchcliff to continue its two-drilling rig program throughout 2022 and into 2023; that as no additional wells are expected to be brought on production until late December 2022, Birchcliff is not anticipating any significant additional production volumes in 2022; and that the procurement of various long-lead items and the acceleration of select infrastructure and construction activities into 2022 will help to ensure the most efficient execution of the Corporation’s 2023 capital program and allows Birchcliff to manage supply chain constraints and mitigate inflationary pressures); the number and types of wells expected to be drilled and brought on production and the timing thereof and targeted product types; that excluding the special dividend (approximately $53 million in aggregate, based on 266 million common shares outstanding) and the additional capital investment of $80 million, Birchcliff forecasts that it would have had a total surplus of approximately $65 million to $75 million at December 31, 2022; and that the estimate of total debt at December 31, 2022 is expected to be comprised of any amounts outstanding under the Credit Facilities and adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year;
- the information set forth under the heading *“Preliminary 2023 Guidance”* and elsewhere in this press release as it relates to Birchcliff’s preliminary outlook, guidance and capital program for 2023, including: estimates of annual average production, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, common share dividends, excess free funds flow, total surplus at year end and natural gas market exposure and the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff’s estimate of free funds flow; that Birchcliff is currently targeting F&D capital expenditures in the range of $240 million to $270 million, which is expected to deliver annual average production of 81,000 to 83,000 boe/d (a 5% increase over 2022) and generate adjusted funds flow of $855 million and free funds flow of $585 million to $615 million, based on current strip pricing; that

after the payment of the targeted common share dividend of $213 million, Birchcliff is forecasting that it will have approximately $370 million to $400 million of excess free funds flow in 2023 and a cash surplus of $295 million to $325 million at December 31, 2023; that based on its targeted levels of capital spending and production, Birchcliff currently expects that it will bring approximately 30 wells on production in 2023; that similar to 2022, the 2023 capital program will be designed to utilize multi-well pads and two drilling rigs, which is more operationally efficient for the Corporation; that Birchcliff continues to secure multi-year contracts with its key service providers and has ordered various long-lead items, which will help to ensure the efficient execution of the Corporation's 2023 capital program, as well as help Birchcliff to mitigate inflationary pressures and manage supply chain constraints by ensuring security of equipment and services; that the anticipated significant free funds flow in 2023 provides the Corporation with the ability to sustainably increase shareholder returns; that Birchcliff does not have any fixed price commodity hedges in place and does not currently intend to enter into any, which gives it the ability to take advantage of any further strengthening of commodity prices above the Corporation's current commodity price assumptions for 2023; that Birchcliff's anticipated excess free funds flow in 2023 provides it with significant financial and operational flexibility, allowing it to focus on ways to further increase shareholder returns and enhance long-term shareholder value; that Birchcliff will continue to strategically evaluate the potential uses for its excess free funds flow, which may include special dividends, increases to the Corporation's base dividend and/or common share buybacks; that consideration may also be given to other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value, such as further investments in its business and strategic acquisitions; that Birchcliff currently expects to use a portion of its excess free funds flow to establish a meaningful cash position, which will help to protect the Corporation's common share dividend and capital program in the event of a downturn in commodity prices and/or economic conditions and provide the Corporation with optionality to pursue various opportunities to enhance long-term shareholder value; that the estimate of total surplus at December 31, 2023 is expected to be comprised of adjusted working capital, which is expected to be largely comprised of cash, accounts receivable and accounts payable and accrued liabilities at the end of the year; and that Birchcliff expects to announce the details of its 2023 capital program and guidance on January 18, 2023, as well as its updated five year plan for 2023 to 2027;

- the information set forth under the heading *"Forecast Royalties, Taxes and Fees"*, including: that Birchcliff currently forecasts that total royalties and other taxes and fees to be paid to the Province of Alberta in 2022 and 2023 will be in the amount of approximately $206 million and $168 million, respectively; that Birchcliff currently forecasts that corporate income taxes to be paid to the Federal Government in 2023 will be in the amount of approximately $49 million; and that the Corporation expects to have sufficient tax pools available to offset taxable income in 2022 and therefore no corporate income taxes are expected to paid in 2022; and
- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets.

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: the degree to which the Corporation's results of operations and financial condition will be disrupted by circumstances attributable to the COVID-19 pandemic; prevailing and future commodity prices and differentials, exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy, financial markets and the exploration, development and production business; the political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes, environmental, climate change and other laws; the Corporation's ability to comply with existing and future environmental, climate change and other laws; future cash flow, debt and dividend levels; future operating, transportation, G&A and other expenses; Birchcliff's ability to access capital and obtain financing on acceptable terms; the timing and amount of capital expenditures and the sources of funding for capital expenditures and other activities; the sufficiency of budgeted capital expenditures to carry out planned operations; the successful and timely implementation of capital projects and the timing, location and extent of future drilling and other operations; results of operations; Birchcliff's ability to continue to develop its assets and obtain the anticipated benefits therefrom; the performance of existing and future wells; reserves volumes and Birchcliff's ability to replace and expand reserves through acquisition, development or exploration; the impact of competition on Birchcliff; the availability of, demand for and cost of labour, services and materials; the approval of the board of directors 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 2022 guidance (as updated on October 13, 2022):
  - The following commodity prices and exchange rate are assumed: an average WTI price of US$95.00/bbl; an average WTI-MSW differential of CDN$2.50/bbl; an average AECO price of CDN$5.25/GJ; an average Dawn price of US$6.35/MMBtu; an average NYMEX HH price of US$6.85/MMBtu; and an exchange rate (CDN$ to US$1) of 1.30. These commodity price and exchange rate assumptions are based on anticipated full-year averages, which include settled benchmark commodity prices and exchange rate for the period from January 1, 2022 to September 30, 2022 and forward strip benchmark commodity prices and CDN/US exchange rate as of October 5, 2022 for the period from October 1, 2022 to December 31, 2022.
  - Birchcliff's production guidance for 2022 assumes that: the 2022 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 updated estimate of capital expenditures for 2022 assumes that the 2022 capital program will be carried out as currently contemplated. 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 updated estimates of adjusted funds flow, free funds flow and excess free funds flow for 2022 assume that: the 2022 capital program will be carried out as currently contemplated and the level of capital spending for 2022 set forth herein will be achieved; and the targets for 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 updated estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at October 13, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
  - Birchcliff's updated estimate of total debt at December 31, 2022 assumes that: (i) 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 in 2022; (ii) there are 266 million common shares outstanding, with no further buybacks of common shares occurring during 2022; (iii) a special dividend of $0.20 per common share is paid on October 28, 2022 and a dividend of $0.02 per common share is paid for the quarter ending December 31, 2022, with no further special dividends paid during 2022; (iv) no significant acquisitions or dispositions are completed by the Corporation and there is no repayment of debt using the proceeds from equity issuances during 2022; (v) there are no further proceeds received from the exercise of stock options or performance warrants during 2022; (vi) the 2022 capital program will be carried out as currently contemplated with F&D capital expenditures of $355 million to $365 million; and (vii) the targets for production, production commodity mix, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of total debt at December 31, 2022 excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
  - Birchcliff's guidance regarding its natural gas market exposure for 2022 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 22,040 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium; and (iii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu.
- With respect to Birchcliff's preliminary guidance for 2023:
  - The following commodity prices and exchange rate are assumed: an average WTI price of US$80.00/bbl; an average WTI-MSW differential of CDN$5.00/bbl; an average AECO price of CDN$4.80/GJ; an average Dawn price of US$5.30/MMBtu; an average NYMEX HH price of US$5.55/MMBtu; and an exchange rate (CDN$ to US$1) of 1.35. These commodity price and exchange rate assumptions are based on anticipated full-year averages, which include forward strip benchmark commodity prices and CDN/US exchange rate as of October 5, 2022 for the period from January 1, 2023 to December 31, 2023.

- Birchcliff's preliminary production guidance for 2023 is subject to similar assumptions set forth herein for Birchcliff's 2022 production guidance.
- Birchcliff's estimate of F&D capital expenditures for 2023 assumes that Birchcliff's 2023 capital program will be carried out as currently contemplated.
- Birchcliff's estimates of adjusted funds flow, free funds flow and excess free funds flow for 2023 assume that: Birchcliff's 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein will be achieved; and the targets for production, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of adjusted funds flow takes into account the effects of its physical and financial basis swap contracts outstanding as at October 13, 2022 and excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors.
- Birchcliff's estimate of total surplus at December 31, 2023 assumes that: (i) 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 full debt repayment in 2023; (ii) there are 266 million common shares outstanding, with no buybacks of common shares occurring during 2023; (iii) an annual common share dividend of $0.80 per share is paid in 2023, with no special dividends paid during 2023; (iv) no significant acquisitions or dispositions are completed by the Corporation and there is no repayment of debt using the proceeds from equity issuances during 2023; (v) there are no proceeds received from the exercise of stock options or performance warrants during 2023; (vi) the 2023 capital program will be carried out as currently contemplated with F&D capital expenditures of $240 million to $270 million; and (vii) the targets for production, adjusted funds flow, free funds flow and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's estimate of total surplus at December 31, 2023 excludes annual cash incentive payments that have not been approved by Birchcliff's board of directors. Birchcliff's expectations as to the amount of total debt and preferred shares it expects to retire by the end of 2022 and that it will have a cash (total) surplus at the end of Q1 2023 are subject to similar assumptions.
- Birchcliff's guidance regarding its natural gas market exposure for 2023 assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; and (ii) 152,500 MMBtu/d being contracted on a financial and physical basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.23/MMBtu.

- Birchcliff's forecasts of royalties to be paid in 2022 and 2023 are based on the current royalty regime in Alberta and Birchcliff's forecast of taxes to be paid in 2023 is based on the current tax regimes in the Province of Alberta and in Canada. In addition, such forecasts are based on the Corporation's guidance and commodity price assumptions for 2022 and 2023 as set forth herein.
- With respect to statements of future wells to be drilled and brought on production, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics (including COVID-19), epidemics and global conflict (including the Russian invasion of Ukraine) and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; the uncertainty of estimates and projections relating to production, revenue, costs, expenses and reserves; the risk that any of the Corporation's material assumptions prove to be materially inaccurate (including the Corporation's commodity price and exchange rate assumptions for 2022 and 2023); the potential for changes to the Corporation's preliminary estimate of F&D capital expenditures for 2023, which could impact the Corporation's other preliminary 2023 guidance; general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; risks associated with increasing costs, whether due to high inflation rates, supply chain disruptions or other factors; fluctuations in exchange and interest rates; stock market volatility; loss of market demand; an inability to access sufficient capital from internal and external sources on terms acceptable to the Corporation; risks associated with Birchcliff's Credit Facilities, including a failure to comply with covenants under the agreement governing the Credit Facilities and the risk that the borrowing base limit may be redetermined; fluctuations in the costs of borrowing; operational risks and liabilities inherent in oil and natural gas operations; the occurrence of unexpected events such as fires, severe weather, explosions, blow-outs, equipment failures, transportation incidents and other similar events; an inability to access sufficient water or other fluids needed for operations; uncertainty that development activities in connection with Birchcliff's assets will be economic; an inability to access or implement some or all of the technology necessary to operate its assets and achieve expected future results; the accuracy of estimates of reserves, future net revenue and production levels; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; horizontal drilling and completions techniques and the failure of drilling results to meet expectations for reserves or production; uncertainties related to Birchcliff's future potential drilling locations; delays or changes in plans with respect to exploration or development projects or capital expenditures; the accuracy of cost estimates and variances in Birchcliff's actual costs and economic returns from those anticipated; incorrect assessments of the value of acquisitions and exploration and development programs; changes to the regulatory framework in the locations where the Corporation operates, including changes to tax laws, Crown royalty rates, environmental laws, climate change laws, carbon tax regimes, incentive programs and other regulations that affect the oil and natural gas industry; actions by government authorities, including those with respect to the COVID-19 pandemic; an inability of the Corporation to comply with existing and future environmental, climate change and other laws; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; dependence on facilities, gathering lines and pipelines; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the lack of available pipeline capacity and an inability to secure adequate and cost-effective processing and transportation for Birchcliff's products; an inability to satisfy obligations under Birchcliff's firm marketing and transportation arrangements; shortages in equipment and skilled personnel; the absence or loss of key employees; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; management of Birchcliff's growth; environmental and climate change risks, claims and liabilities; potential litigation; default under or breach of agreements by counterparties and potential enforceability issues in contracts; claims by Indigenous peoples; the reassessment by taxing or regulatory authorities of the Corporation's prior transactions and filings; unforeseen title defects; third-party claims regarding the Corporation's right to use technology and equipment; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; uncertainties associated with counterparty credit risk; risks associated with Birchcliff's risk management and market diversification activities; risks associated with the declaration and payment of future dividends, including the discretion of Birchcliff's board of directors to declare dividends and change the Corporation's dividend policy; the failure to obtain any required approvals in a timely manner or at all; the failure to complete or realize the anticipated benefits of acquisitions and dispositions and the risk of unforeseen difficulties in integrating acquired assets into Birchcliff's operations; negative public perception of the oil and natural gas industry and fossil fuels; the Corporation's reliance on hydraulic fracturing; market competition, including from alternative energy sources; changing demand for petroleum products; the availability of insurance and the risk that certain losses may not be insured; breaches or failure of information systems and security (including risks associated with cyber-attacks); risks associated with the ownership of the Corporation's securities; and the accuracy of the Corporation's accounting estimates and judgments.

While Birchcliff anticipates approval by the board of directors of the proposed increase to the annual common share dividend to $0.80 per share in 2023, the payment of such dividend remains subject to the approval of the board of directors. In addition, the proposed increase to the common share dividend in 2023 is subject to commodity prices. The declaration and payment of any future dividends are subject to the discretion of the board of directors and may not be approved or may vary depending on a variety of factors and conditions existing from time to time, including commodity prices, free funds flow, current and forecast commodity prices, fluctuations in working capital, financial requirements of Birchcliff, applicable laws (including solvency tests under the *Business Corporations Act* (Alberta) for the declaration and payment of dividends) and other factors beyond Birchcliff's control. The payment of dividends to shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future, including the terms of the Credit Facilities. The agreement governing the Credit Facilities provides that Birchcliff is not permitted to make any distribution (which includes dividends) at any time when an event of default exists or would reasonably be expected to exist upon making such distribution, unless such event of default arose subsequent to the ordinary course declaration of the applicable distribution.

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

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

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

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

ABOUT BIRCHCLIFF:

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

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