BIRCHCLIFF ENERGY LTD. ANNOUNCES Q2 2023 RESULTS AND DECLARATION OF Q3 2023 DIVIDEND OF $0.20 PER COMMON SHARE

Calgary, Alberta (August 10, 2023) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q2 2023 financial and operational results and that its board of directors (the "**Board**") has declared a quarterly cash dividend of $0.20 per common share for the quarter ending September 30, 2023.

"In Q2 2023, we generated adjusted funds flow(1) of $69.7 million and free funds flow(1) of $4.9 million, with average production of 77,510 boe/d. In addition, we returned an aggregate of $63.5 million to shareholders in Q2 2023 through our base common share dividend and common share repurchases," commented Jeff Tonken, Chief Executive Officer of Birchcliff.

"We are maintaining our production guidance at 77,000 to 80,000 boe/d for 2023 despite a significant outage on a third-party NGLs pipeline that persisted into May. We are also maintaining our F&D capital expenditures guidance of $270 million to $280 million, which includes capital spent in the Elmworth area to provide Birchcliff with optionality for future growth beyond our assets in Pouce Coupe and Gordondale. We anticipate strong production performance for the remainder of 2023, which we expect will result in more than $100 million of free funds flow in the second half of the year(2)."

Q2 2023 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved strong quarterly average production of 77,510 boe/d, notwithstanding the impact of an unplanned system outage on Pembina Pipeline's Northern Pipeline system (the "**Pembina Outage**"), which affected the Corporation's production in Q2 2023. The strong performance from the new wells brought on production in the first half of the year helped to offset the negative impact of this outage.
- Generated quarterly adjusted funds flow of $69.7 million, or $0.26 per basic common share(3), and quarterly free funds flow of $4.9 million, or $0.02 per basic common share(3).
- Generated cash flow from operating activities of $62.4 million.
- Reported quarterly net income to common shareholders of $42.8 million, or $0.16 per basic common share.
- Realized an operating expense(4) of $3.64/boe in Q2 2023.
- F&D capital expenditures were $64.8 million in Q2 2023.
- Total debt(5) at June 30, 2023 was $278.5 million.
- Returned $63.5 million to shareholders in Q2 2023. During the quarter, the Corporation paid an aggregate of $53.2 million in common share dividends and purchased an aggregate of 1,265,268 common shares under its normal course issuer bid at an average price of $8.10 per share, before fees.

Birchcliff's unaudited interim condensed financial statements for the three and six months ended June 30, 2023 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR+ at www.sedarplus.ca.

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

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

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

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

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

DECLARATION OF Q3 2023 QUARTERLY DIVIDEND

Birchcliff remains committed to the payment of its previously approved annual base dividend of $0.80 per common share in 2023. Accordingly, the Board has declared a quarterly cash dividend of $0.20 per common share for the quarter ending September 30, 2023. The dividend will be payable on September 29, 2023 to shareholders of record at the close of business on September 15, 2023. The ex-dividend date is September 14, 2023. 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", "supplementary financial measures" and "capital management measures" as such terms are defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("**NI 52-112**"). Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers. For further information regarding the non-GAAP and other financial measures used in this press release, see "Non-GAAP and Other Financial Measures".*

Q2 2023 FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
OPERATING				
Average production				
Light oil *(bbls/d)*	1,936	1,855	2,012	2,111
Condensate *(bbls/d)*	5,462	4,500	5,411	4,647
NGLs *(bbls/d)*	6,811	6,349	5,059	7,158
Natural gas *(Mcf/d)*	379,807	366,256	381,467	365,779
Total *(boe/d)*	**77,510**	**73,746**	**76,059**	**74,879**
Average realized sales prices *(CDN$)*(1)(2)				
Light oil *(per bbl)*	89.89	135.91	98.04	124.50
Condensate *(per bbl)*	98.18	138.28	101.97	129.70
NGLs *(per bbl)*	22.86	48.26	27.33	45.66
Natural gas *(per Mcf)*	2.67	8.61	3.18	7.02
Total *(per boe)*	**24.28**	**58.75**	**27.59**	**50.19**
NETBACK AND COST *($/boe)*(2)				
Petroleum and natural gas revenue(1)	24.28	58.75	27.60	50.19
Royalty expense	(1.09)	(7.75)	(2.69)	(6.06)
Operating expense	(3.64)	(3.40)	(3.79)	(3.44)
Transportation and other expense(3)	(5.53)	(5.87)	(5.43)	(5.65)
Operating netback(3)	**14.02**	**41.73**	**15.69**	**35.04**
G&A expense, net	(1.51)	(1.15)	(1.46)	(1.14)
Interest expense	(0.64)	(0.50)	(0.56)	(0.49)
Realized gain (loss) on financial instruments	(1.88)	2.49	(2.11)	1.21
Other cash expense	(0.12)	(0.02)	(0.05)	-
Adjusted funds flow(3)	**9.87**	**42.55**	**11.51**	**34.62**
Depletion and depreciation expense	(8.00)	(7.52)	(8.13)	(7.50)
Unrealized gain (loss) on financial instruments	6.84	7.07	(2.56)	6.06
Other expense(4)	(0.66)	(0.38)	(0.61)	(0.22)
Dividends on preferred shares	-	(0.26)	-	(0.26)
Deferred income tax expense	(1.99)	(9.59)	(0.20)	(7.64)
Net income to common shareholders	**6.06**	**31.87**	**0.01**	**25.06**
FINANCIAL				
Petroleum and natural gas revenue *($000s)*(1)	171,291	394,315	379,938	680,291
Cash flow from operating activities *($000s)*	62,353	273,711	173,683	427,863
Adjusted funds flow *($000s)*(5)	69,650	285,535	158,387	469,234
Per basic common share *($)*(3)	0.26	1.08	0.59	1.77
Free funds flow *($000s)*(5)	4,895	201,288	(21,407)	296,705
Per basic common share *($)*(3)	0.02	0.76	(0.08)	1.12
Net income to common shareholders *($000s)*	42,753	213,855	205	339,647
Per basic common share *($)*	0.16	0.81	-	1.28
End of period basic common shares *(000s)*	266,222	265,204	266,222	265,204
Weighted average basic common shares *(000s)*	266,354	265,440	266,400	265,485
Dividends on common shares *($000s)*	53,241	5,310	106,633	7,968
Dividends on preferred shares *($000s)*	-	1,715	-	3,432
F&D capital expenditures *($000s)*(6)	64,755	84,247	179,794	172,529
Total capital expenditures *($000s)*(5)	65,241	86,150	180,900	174,274
Revolving term credit facilities *($000s)*	281,354	276,030	281,354	276,030
Total debt *($000s)*(7)	278,521	266,894	278,521	266,894

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

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

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

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

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

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

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

OUTLOOK AND GUIDANCE

Birchcliff is on track to meet its 2023 annual average production guidance of 77,000 to 80,000 boe/d, which reflects the impact of the Pembina Outage that negatively affected the Corporation's production in the first half of the year. Although Birchcliff currently expects its annual average production to be on the lower end of this guidance range, the Corporation anticipates solid production results from the remaining 9 wells in its capital program scheduled to be brought on production in Q4 2023, which will help to offset the negative impact of the Pembina Outage. See *"Operational Update".*

Birchcliff's F&D capital expenditures are expected to be in-line with its guidance of $270 million to $280 million, which includes the bringing on production of 32 wells in Pouce Coupe and Gordondale and the drilling of 2 additional land retention wells in the Elmworth area. The drilling of these additional wells will continue a significant number of sections of Montney lands in Elmworth, thereby preserving Birchcliff's optionality for future growth in the area. Birchcliff invested approximately $20 million in the Elmworth area in the first half of 2023, which was not included in the Corporation's initial capital budget announced on January 18, 2023. See *"Operational Update".*

The following tables set forth Birchcliff's guidance and commodity price assumptions for 2023 (which were previously disclosed on May 10, 2023), as well as its free funds flow sensitivity:

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

Forward 5 months' free funds flow sensitivity[9][10]	Estimated change to 2023 free funds flow *(millions)*
Change in WTI US$1.00/bbl	$1.6
Change in NYMEX HH US$0.10/MMBtu	$2.5
Change in Dawn US$0.10/MMBtu	$3.2
Change in AECO CDN$0.10/GJ	$1.5
Change in CDN/US exchange rate CDN$0.01	$1.9

(1) As previously disclosed on May 10, 2023. Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, total debt and natural gas market exposure in 2023 is based on an annual average production rate of 77,000 boe/d in 2023, which is the low end of Birchcliff's annual average production guidance range for 2023. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

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

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

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

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

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

(9) Birchcliff's commodity price and exchange rate assumptions and free funds flow sensitivity are based on anticipated full-year commodity price and exchange rate averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2023 to July 31, 2023.

(10) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's forecast of free funds flow for 2023, 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.

The Corporation has initiated its formal budgeting process for 2024 and expects to release its preliminary 2024 budget on November 14, 2023, along with Birchcliff's Q3 2023 results. Birchcliff currently expects its 2024 budget to remain focused on maintaining capital discipline, generating free funds flow and delivering significant returns to shareholders, with excess free funds flow, above current dividend levels, used to reduce indebtedness and invest in its business.

Q2 2023 FINANCIAL AND OPERATIONAL RESULTS

Production

Birchcliff's production averaged 77,510 boe/d in Q2 2023, a 5% increase from Q2 2022. The increase was primarily due to incremental production volumes from the new Montney/Doig wells brought on production since Q2 2022, partially offset by the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes, and natural production declines in Q2 2023. Production in Q2 2022 was negatively impacted by a major scheduled turnaround that occurred in May and June 2022 at AltaGas' deep-cut sour gas processing facility in Gordondale.

Liquids accounted for 18% of Birchcliff's total production in Q2 2023 as compared to 17% in Q2 2022. Liquids production weighting increased primarily due to additional liquids volumes from the new Montney/Doig wells brought on production since Q2 2022. Liquids production weighting in Q2 2023 was negatively affected by the Pembina Outage, which impacted the Corporation's NGLs sales volumes.

Adjusted Funds Flow and Cash Flow From Operating Activities

Birchcliff's adjusted funds flow was $69.7 million in Q2 2023, or $0.26 per basic common share, both of which decreased by 76% from Q2 2022. Birchcliff's cash flow from operating activities was $62.4 million in Q2 2023, a 77% decrease from Q2 2022. The decreases were primarily due to lower natural gas revenue, which was largely impacted by a 69% decrease in the average realized sales price Birchcliff received for its natural gas production in Q2 2023.

Birchcliff's adjusted funds flow and cash flow from operating activities were also negatively impacted by a realized loss on financial instruments in Q2 2023 as compared to a realized gain on financial instruments in Q2 2022 and positively impacted by lower royalty expense in Q2 2023 as compared to Q2 2022.

Free Funds Flow

Birchcliff delivered free funds flow of $4.9 million, or $0.02 per basic common share, in Q2 2023, as compared to $201.3 million and $0.76 per basic common share in Q2 2022. The decreases were primarily due to lower adjusted funds flow, partially offset by lower F&D capital expenditures in Q2 2023 as compared to Q2 2022.

Net Income to Common Shareholders

Birchcliff reported net income to common shareholders of $42.8 million in Q2 2023, or $0.16 per basic common share, both of which decreased by 80% from Q2 2022. The decreases were primarily due to lower adjusted funds flow, partially offset by lower income tax expense in Q2 2023 as compared to Q2 2022.

Debt and Credit Facilities

Total debt at June 30, 2023 was $278.5 million, a 4% increase from June 30, 2022. At June 30, 2023, Birchcliff had a balance outstanding under its Credit Facilities of $281.4 million (June 30, 2022: $276.0 million) from available Credit Facilities of $850.0 million (June 30, 2022: $850.0 million), leaving the Corporation with $565.8 million (67%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and additional capital resources.

During Q2 2023, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the lenders confirmed the borrowing base limit at $850.0 million. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

Commodity Prices

The Corporation's average realized sales price in Q2 2023 was $24.28/boe, a 59% decrease from Q2 2022. The decrease was primarily due to lower benchmark oil and natural gas prices, which negatively impacted the sales prices Birchcliff received for its production in Q2 2023. Birchcliff is fully exposed to increases and decreases in commodity prices as it has no fixed price commodity hedges in place.

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

			Three months ended June 30,
	2023	**2022**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	74.38	109.08	(32)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	96.10	137.55	(30)
Natural gas – NYMEX HH *(US$/MMBtu)*	2.10	7.17	(71)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.32	6.86	(66)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.74	4.94	(65)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.05	7.21	(72)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	1.71	7.48	(77)

Natural Gas Market Diversification

Birchcliff's physical natural gas sales exposure primarily consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing. The following table details Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q2 2023, after taking into account the Corporation's financial instruments:

Three months ended June 30, 2023						
	Effective sales(1) (CDN$000s)	Percentage of total sales (%)	Effective production (per day)	Percentage of total natural gas production (%)	Percentage of total corporate production (%)	Effective average realized sales price(1) (CDN$)
Market						
AECO(2)(3)	15,884	9	80,375 Mcf	21	17	2.17/Mcf
Dawn(4)	42,489	24	160,032 Mcf	42	34	2.92/Mcf
NYMEX HH(1)(2)(5)	41,353	23	139,400 Mcf	37	31	3.26/Mcf
Total natural gas(1)	**99,726**	**56**	**379,807 Mcf**	**100**	**82**	**2.89/Mcf**
Light oil	15,837	9	1,936 bbls		2	89.89/bbl
Condensate	48,799	27	5,462 bbls		7	98.18/bbl
NGLs	14,169	8	6,811 bbls		9	22.86/bbl
Total liquids	**78,805**	**44**	**14,209 bbls**		**18**	**60.95/bbl**
Total corporate(1)	**178,531**	**100**	**77,510 boe**		**100**	**25.31/boe**

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

(2) AECO sales and production that effectively received NYMEX HH pricing under Birchcliff's long-term physical NYMEX HH/AECO 7A basis swap contracts have been included as effective sales and production in the NYMEX HH market. Birchcliff sold physical NYMEX HH/AECO 7A basis swap contracts for 5,000 MMBtu/d at an average contract price of NYMEX HH less US$1.205/MMBtu during Q2 2023.

(3) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q2 2023 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

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

(5) NYMEX HH sales and production include financial and physical NYMEX HH/AECO 7A basis swap contracts for an aggregate of 152,500 MMBtu/d at an average contract price of NYMEX HH less US$1.23/MMBtu during Q2 2023.

Birchcliff's effective average realized sales price for NYMEX HH of CDN$3.26/Mcf (US$2.21/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.81/Mcf (US$1.23/MMBtu) and includes any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q2 2023.

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 2023, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$1.45/Mcf (US$0.98/MMBtu) in Q2 2023.

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

Three months ended June 30, 2023							
Natural gas market	Natural gas sales(1) (CDN$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price(1)(2) (CDN$/Mcf)	Natural gas transportation costs(2)(3) (CDN$/Mcf)	Natural gas sales netback(2)(4) (CDN$/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(5)	3,625	4	14,274	4	2.79	-	2.79
Total	**92,448**	**100**	**379,807**	**100**	**2.67**	**0.88**	**1.78**
Three months ended June 30, 2022							
Natural gas market	Natural gas sales(1) (CDN$000s)	Percentage of natural gas sales (%)	Natural gas production (Mcf/d)	Percentage of natural gas production (%)	Average realized natural gas sales price(1)(2) (CDN$/Mcf)	Natural gas transportation costs(2)(3) (CDN$/Mcf)	Natural gas sales netback(2)(4) (CDN$/Mcf)
AECO	131,062	46	186,717	51	7.71	0.45	7.35
Dawn	141,145	49	159,817	44	9.71	1.50	8.20
Alliance(5)	14,648	5	19,722	5	8.16	-	8.16
Total	**286,855**	**100**	**366,256**	**100**	**8.61**	**0.89**	**7.72**

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

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

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

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

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

Capital Activities and Investment

In Q2 2023, Birchcliff drilled 1 (1.0 net) well and brought 8 (8.0 net) wells on production, with F&D capital expenditures of $64.8 million. The following table sets forth the wells that were drilled and brought on production in the quarter:

	Drilled	On Production
Pouce Coupe		
04-16 pad	0	8
Elmworth		
01-28 pad	1	N/A
TOTAL	**1**	**8**

OPERATIONAL UPDATE

Pouce Coupe and Gordondale

8-Well Pad (04-16)

Birchcliff successfully completed its 8-well 04-16 pad in May 2023. The pad was drilled in Q1 2023 in 2 different intervals (4 in the Montney D1 and 4 in the Basal Doig/Upper Montney). The 04-16 pad's strong IP 30 and IP 60 rates support the robust, top-tier inventory of Birchcliff's land base. The following table summarizes the aggregate and average production rates for the wells from the 04-16 pad:

	Wells: IP 30(1)	Wells: IP 60(1)
Aggregate production rate *(boe/d)*	**8,427**	**7,342**
Aggregate natural gas production rate *(Mcf/d)*	48,752	42,618
Aggregate condensate production rate *(bbls/d)*	261	203
Average per well production rate *(boe/d)*	**1,053**	**918**
Average per well natural gas production rate *(Mcf/d)*	6,094	5,327
Average per well condensate production rate *(bbls/d)*	33	25
Condensate-to-gas ratio *(bbls/MMcf)*	**5**	**5**

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

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

Birchcliff successfully completed its 4-well 15-27 pad and 4-well 04-23 pad at the end of Q1 2023. Both pads targeted condensate-rich natural gas from the Lower Montney intervals (D2, D1 and C) and are producing in-line with the Corporation's expectations.

Ongoing Activities

Drilling operations at the Corporation's 7-well 09-04 pad in Pouce Coupe, which commenced in Q2 2023 utilizing two rigs, are nearly complete, with completions operations scheduled for Q3 2023. The pad is being drilled in 2 different Lower Montney intervals (4 in the Montney D1 and 3 in the Montney C) targeting condensate-rich natural gas.

The 09-04 pad incorporates Birchcliff's latest well spacing and stacking designs as well as increased proppant loading, which is expected to maximize economic well performance. Based on this optimized design, the Corporation believes that the 09-04 pad should meaningfully outperform existing offsetting strong producing pads that were drilled in previous years.

Drilling operations at the Corporation's 2-well 02-27 pad in Gordondale will commence in Q3 2023, with completions operations scheduled for Q4 2023. The pad will be drilled in 2 different Lower Montney intervals (1 in the Montney D2 and 1 in the Montney D1) targeting condensate-rich natural gas.

The wells from both of these pads are expected to be brought on production in Q4 2023, providing strong production volumes when commodity prices are forecast to be higher.

Elmworth Update

Birchcliff drilled 2 (2.0 net) Montney horizontal wells in the Elmworth area in late Q2 and early Q3 2023 in order to preserve its optionality for future growth. These wells will validate multiple initial term licenses and continue 64 sections of land into their five-year intermediate term. Birchcliff anticipates that these wells will be completed as it commences the development of its Elmworth area in the future.

2023 Drilling and Completions Program

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

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

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

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

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

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

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

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

Birchcliff defines "free funds flow" as adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to generate shareholder returns through a number of initiatives, including but not limited to, debt repayment, common share buybacks, the payment of common share dividends, acquisitions and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

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

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

	Three months ended June 30,		Six months ended June 30,		Twelve months ended December 31,
($000s)	**2023**	**2022**	**2023**	**2022**	**2022**
Cash flow from operating activities	**62,353**	**273,711**	**173,683**	**427,863**	**925,275**
Change in non-cash operating working capital	6,137	11,199	(16,830)	40,029	25,662
Decommissioning expenditures	1,160	625	1,534	1,342	2,746
Adjusted funds flow	**69,650**	**285,535**	**158,387**	**469,234**	**953,683**
F&D capital expenditures	(64,755)	(84,247)	(179,794)	(172,529)	(364,621)
Free funds flow	**4,895**	**201,288**	**(21,407)**	**296,705**	**589,062**
Dividends on common shares	(53,241)	(5,310)	(106,633)	(7,968)	(71,788)
Excess free funds flow	**(48,346)**	**195,978**	**(128,040)**	**288,737**	**517,274**

Birchcliff has disclosed in this press release forecasts of adjusted funds flow, free funds flow and excess free funds flow for 2023, which are forward-looking non-GAAP financial measures. The equivalent historical non-GAAP financial measures are adjusted funds flow, free funds flow and excess free funds flow for the twelve months ended December 31, 2022. Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales prices the Corporation receives for its production. The forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is also expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023. The commodity price assumptions on which the Corporation's guidance is based are set forth under the heading "*Outlook and 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 available transportation and/or fractionation fees associated with its take-or-pay commitments. Management believes that transportation and other expense assists management and investors in assessing Birchcliff's total cost structure related to transportation activities. The most directly comparable GAAP financial measure to transportation and other expense is transportation expense. The following table provides a reconciliation of transportation expense to transportation and other expense for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Transportation expense	**39,347**	**39,855**	**73,864**	**77,692**
Marketing purchases	6,601	2,644	17,226	6,213
Marketing revenue	(6,914)	(3,043)	(16,352)	(7,277)
Transportation and other expense	**39,034**	**39,456**	**74,738**	**76,628**

Operating Netback

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Petroleum and natural gas revenue	171,291	394,315	379,938	680,291
Royalty expense	(7,657)	(52,010)	(36,965)	(82,168)
Operating expense	(25,707)	(22,796)	(52,209)	(46,643)
Transportation and other expense	(39,034)	(39,456)	(74,738)	(76,628)
Operating netback	**98,893**	**280,053**	**216,026**	**474,852**

Total Capital Expenditures

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Exploration and development expenditures(1)	**64,755**	**84,247**	**179,794**	**172,529**
Acquisitions	-	1,500	-	1,500
Dispositions	(77)	-	(77)	(315)
Administrative assets	563	403	1,183	560
Total capital expenditures	**65,241**	**86,150**	**180,900**	**174,274**

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

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

Birchcliff defines "effective sales" in the AECO market and NYMEX HH market as the sales amount received from the production of natural gas that is effectively attributed to the AECO and NYMEX HH market pricing, respectively, and does not consider the physical sales delivery point in each case. Effective sales in the NYMEX HH market includes realized gains and losses on financial instruments and excludes the notional fixed basis costs associated with the underlying financial contract in the period. Birchcliff defines "effective total natural gas sales" as the aggregate of the effective sales amount received in each natural gas market. Birchcliff defines "effective total corporate sales" as the aggregate of the effective total natural gas sales and the sales amount received from the production of light oil, condensate and NGLs. Management believes that disclosing effective sales for each natural gas market assists management and investors in assessing Birchcliff's natural gas diversification and commodity price exposure to each market. The most directly comparable GAAP financial measure for effective total natural gas sales and effective total corporate sales is natural gas sales. The following table provides a reconciliation of natural gas sales to effective total natural gas sales and effective total corporate sales for the periods indicated:

	Three months ended June 30,	
($000s)	2023	2022
Natural gas sales	**92,448**	**286,855**
Realized gain (loss) on financial instruments	(13,239)	16,687
Notional fixed basis costs(1)	20,517	22,363
Effective total natural gas sales	**99,726**	**325,905**
Light oil sales	15,837	22,935
Condensate sales	48,799	56,620
NGLs sales	14,169	27,887
Effective total corporate sales	**178,531**	**433,347**

(1) Reflects the aggregate notional fixed basis cost associated with Birchcliff's financial and 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. Management believes that operating netback per boe assists management and investors in assessing Birchcliff's operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

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

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

Supplementary Financial Measures

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

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

Capital Management Measures

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

Total Debt

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

As at, *($000s)*	**June 30, 2023**	**June 30, 2022**
Revolving term credit facilities	**281,354**	**276,030**
Working capital deficit (surplus)[(1)]	1,211	18,633
Fair value of financial instruments – asset[(2)]	7,979	13,099
Fair value of financial instruments – liability[(2)]	(9,516)	(2,663)
Other liabilities[(2)]	(2,507)	-
Capital securities	-	(38,205)
Total debt[(3)]	**278,521**	**266,894**

(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 revolving term credit facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the period.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three and six months ended June 30, 2023 and 2022 is unaudited.

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

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

Production

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

Initial Production Rates

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

With respect to the production rates for the Corporation's 8-well 04-16 pad disclosed herein, such rates represent the cumulative volumes for each well measured at the wellhead separator for the 30 and 60 days (as applicable) of production immediately after each well was considered stabilized after producing fracture treatment fluid back to surface in an amount such that flow rates of hydrocarbons became reliable, divided by 30 or 60 (as applicable), which were then added together to determine the aggregate production rates for the 8-well pad and then divided by 8 to determine the per well average production rates. The production rates excluded the hours and days when the wells did not produce. To-date, no pressure transient or well-test interpretation has been carried out on any of the wells. The natural gas volumes represent raw natural gas volumes as opposed to sales gas volumes.

F&D Capital Expenditures

Unless otherwise stated, references in this press release to "F&D capital expenditures" denotes exploration and development expenditures as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any 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 the Elmworth area provides Birchcliff with optionality for future growth beyond its assets in Pouce Coupe and Gordondale; and that the unutilized credit capacity under its Credit Facilities provides Birchcliff with significant financial flexibility and additional capital resources;
- 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: that Birchcliff anticipates strong production performance for the remainder of 2023, which is expected to result in more than $100 million of free funds flow in the second half of the year; that Birchcliff is on track to meet its 2023 annual average production guidance of 77,000 to 80,000 boe/d; that Birchcliff currently expects its annual average production to be on the lower end of this guidance range; that the Corporation anticipates solid production results from the remaining 9 wells in its capital program scheduled to be brought on production in Q4 2023, which will help to offset the negative impact of the Pembina Outage; that Birchcliff's F&D capital expenditures are expected to be in-line with its guidance of $270 million to $280 million; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base common share dividend, excess free funds flow, total debt at year end and natural gas market exposure in 2023; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow in 2023; that the forecast of total debt at December 31, 2023 is expected to be comprised of any amounts outstanding under the Credit Facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the year; that the Corporation expects to release its preliminary 2024 budget on November 14, 2023, along with Birchcliff's Q3 2023 results; and that Birchcliff currently expects its 2024 budget to remain focused on maintaining capital

discipline, generating free funds flow and delivering significant returns to shareholders, with excess free funds flow, above current dividend levels, used to reduce indebtedness and invest in its business;

- statements with respect to dividends, including that Birchcliff remains committed to the payment of its previously approved annual base dividend of $0.80 per common share in 2023;
- statements under the heading "*Operational Update*" and elsewhere in this press release regarding Birchcliff's 2023 capital program and its exploration, production and development activities and the timing thereof, including: estimates of F&D capital expenditures; the anticipated number and timing of wells to be drilled, completed and brought on production and targeted product types; that the well spacing and stacking designs as well as increased proppant loading utilized on the 09-04 pad is expected to maximize economic well performance, which the Corporation believes should result in the 09-04 pad meaningfully outperforming existing offsetting pads; that drilling operations at the Corporation's 2-well 02-27 pad in Gordondale will commence in Q3 2023; that the wells from the 09-04 pad and 02-27 pad are expected to be brought on production in Q4 2023, providing strong production volumes when commodity prices are forecast to be higher; that the 2 Montney horizontal wells the Corporation drilled in the Elmworth area in late Q2 and early Q3 will validate multiple initial term licenses and continue 64 sections of land into their five-year intermediate term and preserves Birchcliff's optionality for future growth in the area; and that Birchcliff anticipates that these wells will be completed as it commences the development of its Elmworth area in the future;
- the performance and other characteristics of Birchcliff's oil and natural gas properties and expected results from its assets (including statements regarding the potential or prospectivity of Birchcliff's properties); and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales prices the Corporation receives for its production; and that the forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023.

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

- With respect to Birchcliff's 2023 guidance, such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading "*Outlook and Guidance*". In addition:
  - Birchcliff's production guidance assumes that: the 2023 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 2023 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 full year free funds flow assume that: the 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its outstanding physical and financial basis swap contracts and excludes cash incentive payments that have not been approved by the Board. Birchcliff's forecast of free funds flow in the second half of 2023 is based on similar assumptions, with such forecast based on an average production rate of 78,000 boe/d in the second half of 2023.

  - Birchcliff's forecast of excess free funds flow assumes that: the forecasts of adjusted funds flow and free funds flow are achieved; and an annual base dividend of $0.80 per common share is paid during 2023 and there are 266 million common shares outstanding, with no changes to the base dividend rate and no special dividends paid.

  - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow, free funds flow and excess free funds flow are achieved, with the level of capital spending for 2023 met and the payment of an annual base dividend of $213 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no further buybacks of common shares during 2023; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2023; (v) there are no equity issuances during 2023; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2023. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.

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

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

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

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

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

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

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

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

ABOUT BIRCHCLIFF:

Birchcliff is a 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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Jeff Tonken – Chief Executive Officer

Chris Carlsen – President and Chief Operating Officer

Bruno Geremia – Executive Vice President and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated August 10, 2023 is with respect to the three and six months ended June 30, 2023 (the "**Reporting Periods**") as compared to the three and six months ended June 30, 2022 (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, 2022, which have been prepared in accordance with IFRS. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

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

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

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

ABOUT BIRCHCLIFF

Birchcliff is a 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, 2022 (the "**AIF**"), is available on the SEDAR+ website at www.sedarplus.ca and on the Corporation's website at www.birchcliffenergy.com.

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

Q2 2023 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved strong quarterly average production of 77,510 boe/d, a 5% increase from the three month Comparable Prior Period, notwithstanding the impact of an unplanned system outage on Pembina Pipeline's Northern Pipeline system (the "**Pembina Outage**"), which affected the Corporation's production in the three month Reporting Period. The strong performance from the new wells brought on production in the first half of the year helped to offset the negative impact of this outage.
- Generated quarterly adjusted funds flow(1) of $69.7 million, or $0.26 per basic common share(2), both of which decreased by 76% from the three month Comparable Prior Period, and quarterly free funds flow(1) of $4.9 million, or $0.02 per basic common share(2), a 98% and 97% decrease, respectively, from the three month Comparable Prior Period.
- Generated cash flow from operating activities of $62.4 million, a 77% decrease from the three month Comparable Prior Period.
- Reported quarterly net income to common shareholders of $42.8 million, or $0.16 per basic common share, both of which decreased by 80% from the three month Comparable Prior Period.
- Realized an operating expense(3) of $3.64/boe, a 7% increase from the three month Comparable Prior Period.
- F&D capital expenditures were $64.8 million, a 23% decrease from the three month Comparable Prior Period.
- Total debt(4) at June 30, 2023 was $278.5 million, a 4% increase from June 30, 2022.
- Returned $63.5 million to shareholders in the three month Reporting Period as compared to $46.0 million in the Comparable Prior Period. During the three month Reporting Period, the Corporation paid an aggregate of $53.2 million in common share dividends and purchased an aggregate of 1,265,268 common shares under its normal course issuer bid at an average price of $8.10 per share, before fees.

OUTLOOK AND GUIDANCE

Birchcliff is on track to meet its 2023 annual average production guidance of 77,000 to 80,000 boe/d, which reflects the impact of the Pembina Outage that negatively affected the Corporation's production in the first half of the year. Although Birchcliff currently expects its annual average production to be on the lower end of this guidance range, the Corporation anticipates solid production results from the remaining 9 wells in its capital program scheduled to be brought on production in Q4 2023, which will help to offset the negative impact of the Pembina Outage.

Birchcliff's F&D capital expenditures are expected to be in-line with its guidance of $270 million to $280 million, which includes the bringing on production of 32 wells in Pouce Coupe and Gordondale and the drilling of 2 additional land retention wells in the Elmworth area. The drilling of these additional wells will continue a significant number of sections of Montney lands in Elmworth, thereby preserving Birchcliff's optionality for future growth in the area. Birchcliff invested approximately $20 million in the Elmworth area in the first half of 2023, which was not included in the Corporation's initial capital budget announced on January 18, 2023.

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

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

The following tables set forth Birchcliff's guidance and commodity price assumptions for 2023 (which were previously disclosed on May 10, 2023), as well as its free funds flow sensitivity:

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

Forward 5 months' free funds flow sensitivity[9][10]	**Estimated change to 2023 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$1.6
Change in NYMEX HH US$0.10/MMBtu	$2.5
Change in Dawn US$0.10/MMBtu	$3.2
Change in AECO CDN$0.10/GJ	$1.5
Change in CDN/US exchange rate CDN$0.01	$1.9

(1) As previously disclosed on May 10, 2023. Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, excess free funds flow, total debt and natural gas market exposure in 2023 is based on an annual average production rate of 77,000 boe/d in 2023, which is the low end of Birchcliff's annual average production guidance range for 2023. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories"* in this MD&A.

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

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

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

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

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

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

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

(9) Birchcliff's commodity price and exchange rate assumptions and free funds flow sensitivity are based on anticipated full-year commodity price and exchange rate averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2023 to July 31, 2023.

(10) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's forecast of free funds flow for 2023, 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.

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,
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash flow from operating activities *($000s)*	**62,353**	**273,711**	**(77)**	**173,683**	**427,863**	**(59)**
Adjusted funds flow *($000s)*[(1)]	**69,650**	**285,535**	**(76)**	**158,387**	**469,234**	**(66)**
Per basic common share *($)*[(2)]	0.26	1.08	(76)	0.59	1.77	(67)
Per diluted common share *($)*[(2)]	0.26	1.03	(75)	0.58	1.70	(66)
Adjusted funds flow per boe *($)*[(2)]	9.87	42.55	(77)	11.51	34.62	(67)

(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 77% and 59% from the three and six month Comparable Prior Periods, respectively. Adjusted funds flow decreased by 76% and 66% 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 69% and 55% decrease in the average realized sales price Birchcliff received for its natural gas production in the three and six month Reporting Periods, respectively.

Birchcliff's cash flow from operating activities and adjusted funds flow were also negatively impacted by realized losses on financial instruments in the Reporting Periods as compared to realized gains on financial instruments in the Comparable Prior Periods and positively impacted by lower royalty expense in the Reporting 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,
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Net income to common shareholders *($000s)*	**42,753**	**213,855**	**(80)**	**205**	**339,647**	**(100)**
Per basic common share *($)*	0.16	0.81	(80)	-	1.28	(100)
Per diluted common share *($)*	0.16	0.77	(79)	-	1.23	(100)
Net income to common shareholders per boe *($)*[(1)]	6.06	31.87	(81)	0.01	25.06	(100)

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

Net income to common shareholders decreased by 80% and 100% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to lower adjusted funds flow, partially offset by lower income tax expense in the Reporting Periods.

Net income to common shareholders in the six month Reporting Period was also negatively impacted by an unrealized mark-to-market loss on financial instruments as compared to an unrealized mark-to-market gain on financial instruments in the Comparable Prior Period, which resulted primarily from changes in the fair value of the Corporation's NYMEX HH/AECO 7A basis swap contracts.

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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil	15,837	22,935	(31)	35,699	47,560	(25)
Condensate	48,799	56,620	(14)	99,861	109,086	(8)
NGLs	14,169	27,887	(49)	25,024	59,152	(58)
Natural gas	92,448	286,855	(68)	219,270	464,464	(53)
P&NG sales(1)	171,253	394,297	(57)	379,854	680,262	(44)
Royalty income	38	18	111	84	29	190
P&NG revenue	**171,291**	**394,315**	**(57)**	**379,938**	**680,291**	**(44)**

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

P&NG revenue decreased by 57% and 44% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to a 68% and 53% decrease in natural gas revenue in the three and six month Reporting Periods, respectively, that largely resulted from a lower average realized sales price received for Birchcliff's natural gas sales production in the Reporting Periods. P&NG revenue was also negatively impacted by lower liquids revenue in the Reporting Periods, which largely resulted from a lower average realized sales price received for Birchcliff's liquids production.

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,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil *(bbls/d)*	1,936	1,855	4	2,012	2,111	(5)
Condensate *(bbls/d)*	5,462	4,500	21	5,411	4,647	16
NGLs *(bbls/d)*	6,811	6,349	7	5,059	7,158	(29)
Natural gas *(Mcf/d)*	379,807	366,256	4	381,467	365,779	4
Production *(boe/d)*	**77,510**	**73,746**	**5**	**76,059**	**74,879**	**2**
Liquids-to-gas ratio *(bbls/MMcf)*	**37.4**	**34.7**	**8**	**32.7**	**38.0**	**(14)**

Birchcliff's production increased by 5% and 2% from the three and six month Comparable Prior Periods, respectively. The increases were primarily due to incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Periods, partially offset by the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes, and natural production declines in the Reporting Periods. Production in the Comparable Prior Periods was negatively impacted by a major scheduled turnaround that occurred in May and June 2022 at AltaGas' deep-cut sour gas processing facility in Gordondale (the "**AltaGas Facility**").

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,	
	2023	**2022**	**2023**	**2022**
% Light oil production	2	2	3	3
% Condensate production	7	6	7	6
% NGLs production	9	9	7	10
% Natural gas production	82	83	83	81

Liquids accounted for 18% and 17% of Birchcliff's total production in the three and six month Reporting Periods, respectively, as compared to 17% and 19% in the Comparable Prior Periods. Liquids production weighting increased in the three month Reporting Period primarily due to additional liquids volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period. Liquids production weighting in the three and six month Reporting Periods was negatively affected by the Pembina Outage, which impacted the Corporation's NGLs sales volumes.

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,	
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil – WTI Cushing *(US$/bbl)*	74.38	109.08	(32)	75.23	101.69	(26)
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	96.10	137.55	(30)	97.60	126.59	(23)
Natural gas – NYMEX HH *(US$/MMBtu)*	2.10	7.17	(71)	2.76	6.06	(54)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.32	6.86	(66)	2.69	5.68	(53)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.74	4.94	(65)	2.47	4.28	(42)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.05	7.21	(72)	2.39	5.81	(59)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	1.71	7.48	(77)	2.29	6.03	(62)
Exchange rate *(CDN$ to US$1)*	1.3474	1.2688	6	1.3504	1.2694	6
Exchange rate *(US$ to CDN$1)*	0.7422	0.7881	(6)	0.7405	0.7878	(6)

Birchcliff physically sells substantially all of its natural gas production based on the AECO 5A and Dawn benchmark prices. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario. In addition, the Corporation has diversified a portion of its AECO 5A production to NYMEX HH-based pricing, predominantly on a financial basis, with various terms ending no later than December 31, 2027. Birchcliff had financial NYMEX HH/AECO 7A basis swap contracts for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.227/MMBtu during the Reporting Periods and Comparable Prior Periods. Natural gas benchmark prices deteriorated significantly since the Comparable Prior Periods as a result of warm winter conditions that reduced weather-related domestic and global demand for natural gas, which resulted in higher levels of global inventory.

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark price, which generally trades at a discount to the WTI benchmark price. Benchmark pricing for crude oil was lower in the Reporting Periods as compared to the Comparable Prior Periods as a result of: (i) ongoing global recession concerns resulting from central banks continuing to raise interest rates to combat rising inflation; (ii) instability from the banking sector; and (iii) lower than expected demand from China following the phaseout of lockdowns. Benchmark pricing for crude oil was also negatively impacted by lower than anticipated supply shortfall resulting from the European Union embargo on seaborn oil imports from Russia and the Group of Seven (G7) countries' price cap on Russian oil in response to Russia's invasion of Ukraine and positively impacted by continued OPEC+ supply cuts.

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 net income to common shareholders, adjusted funds flow 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 its 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,	
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Light oil *($/bbl)*	89.89	135.91	(34)	98.04	124.50	(21)
Condensate *($/bbl)*	98.18	138.28	(29)	101.97	129.70	(21)
NGLs *($/bbl)*	22.86	48.26	(53)	27.33	45.66	(40)
Natural gas *($/Mcf)*	2.67	8.61	(69)	3.18	7.02	(55)
Average realized sales price *($/boe)*(1)(2)	**24.28**	**58.75**	**(59)**	**27.59**	**50.19**	**(45)**

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

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

The Corporation's average realized sales price decreased by 59% and 45% from the three and six month Comparable Prior Periods, respectively, primarily due to lower benchmark oil and natural gas prices, which negatively impacted the sales prices Birchcliff received for its production in the Reporting Periods. Birchcliff is fully exposed to increases and decreases in commodity prices as it has no fixed price commodity hedges in place.

Natural Gas Sales, Production and Average Realized Sales Price

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

					Three months ended June 30, 2023					Three months ended June 30, 2022
Natural gas market	**Natural gas sales** *($000s)*[1]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[1][2]	**Natural gas sales** *($000s)*[1]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[1][2]
AECO	46,334	50	205,501	54	2.47	131,062	46	186,717	51	7.71
Dawn	42,489	46	160,032	42	2.92	141,145	49	159,817	44	9.71
Alliance[3]	3,625	4	14,274	4	2.79	14,648	5	19,722	5	8.16
Total	**92,448**	**100**	**379,807**	**100**	**2.67**	**286,855**	**100**	**366,256**	**100**	**8.61**
					Six months ended June 30, 2023					**Six months ended June 30, 2022**
Natural gas market	**Natural gas sales** *($000s)*[1]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[1][2]	**Natural gas sales** *($000s)*[1]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[1][2]
AECO	112,686	51	207,917	54	3.00	203,423	44	172,735	47	6.55
Dawn	97,781	45	158,681	42	3.40	224,975	48	160,558	44	7.74
Alliance[3]	8,803	4	14,869	4	3.27	36,066	8	32,486	9	6.13
Total	**219,270**	**100**	**381,467**	**100**	**3.18**	**464,464**	**100**	**365,779**	**100**	**7.02**

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

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

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

Market Diversification and Risk Management

Birchcliff engages in market diversification and risk management activities by utilizing various financial derivative and physical delivery contracts to diversify its sales points or fix commodity prices and market interest rates. The Board has approved the Corporation to execute a risk management strategy whereby Birchcliff is authorized, subject to compliance with the agreement governing the Corporation's Credit Facilities, to enter into agreements and financial or physical transactions with one or more counterparties from time to time that are intended to reduce the risk to the Corporation from volatility in future commodity prices, 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 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 as at June 30, 2023, with the changes in fair value being recognized as a non-cash unrealized gain or loss in profit or loss and realized upon settlement. These contracts are not entered into for trading or speculative purposes.

Birchcliff's physical delivery contracts are considered normal executory sales contracts and are not recorded at fair value through profit or loss.

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, 2023, 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, 2023 – Dec. 31, 2023	NYMEX HH less US$1.227/MMBtu
Natural gas	AECO 7A basis swap[2]	147,500 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.120/MMBtu
Natural gas	AECO 7A basis swap[2]	147,500 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.088/MMBtu
Natural gas	AECO 7A basis swap[2]	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, 2023 to manage commodity price risk.

At June 30, 2023, the Corporation had the following physical delivery contract in place to manage commodity price risk:

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

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to June 30, 2023 to manage commodity price risk.

Interest Rate Risk

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

At June 30, 2023, Birchcliff had the following financial derivative contracts in place to manage interest rate risk:

Type of Contract	Index	Remaining Term[1]	Notional Amount	Fixed Rate
Interest rate swap	One-month banker's acceptance – CDOR[2]	Jul. 1, 2023 – Mar. 1, 2024	$350 million	2.215%

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

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

There were no financial derivative contracts entered into subsequent to June 30, 2023 to manage interest rate risk.

Realized Gains and Losses on Financial Instruments

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

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Realized gain (loss) *($000s)*	(13,239)	16,687	(179)	(29,050)	16,488	(276)
Realized gain (loss) *($/boe)*[1]	(1.88)	2.49	(176)	(2.11)	1.21	(274)

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

Birchcliff recorded a realized loss on financial instruments of $13.2 million and $29.1 million in three and six month Reporting Periods, respectively, as compared to a realized gain on financial instruments of $16.7 million and $16.5 million in the Comparable Prior Periods.

Birchcliff's realized gains and losses on financial instruments were primarily impacted by the settlement of the NYMEX HH/AECO 7A basis swap contracts during the Reporting Periods and Comparable Prior Periods. The Corporation records a realized gain on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price (the average spread between NYMEX HH and AECO 7A) of the contracted volumes is higher than the average contract price in the period. Conversely, the Corporation records a realized loss on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price of the contracted volumes is lower than the average contract price in the period. The average contract volume and price for Birchcliff's NYMEX HH/AECO 7A basis swap contracts were 147,500 MMBtu/d and US$1.227/MMBtu, respectively, during the Reporting Periods and 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$0.35/MMBtu and US$0.29/MMBtu, respectively, as compared to US$2.23/MMBtu and US$1.78/MMBtu during the Comparable Prior Periods.

Unrealized Gains and Losses on Financial Instruments

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

	Three months ended June 30,			Six months ended June 30,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Unrealized gain (loss) *($000s)*	48,240	47,453	2	(35,192)	82,128	(143)
Unrealized gain (loss) *($/boe)*(1)	6.84	7.07	(3)	(2.56)	6.06	(142)

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

Birchcliff recorded an unrealized gain on financial instruments of $48.2 million and an unrealized loss on financial instruments of $35.2 million in three and six month Reporting Periods, respectively, as compared to an unrealized gain on financial instruments of $47.5 million and $82.1 million in the Comparable Prior Periods.

Birchcliff's mark-to-market 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 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 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. Unrealized gains and losses on financial instruments do not impact adjusted funds flow and may differ materially from the actual gains or losses realized on the eventual cash settlement of financial contracts in a period.

The unrealized gain on financial instruments of $48.2 million in the three month Reporting Period resulted from a change to the fair value net asset position of $12.0 million at June 30, 2023 from the fair value net liability position of $36.2 million at March 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, 2023 as compared to the fair value previously assessed at March 31, 2023; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the three month Reporting Period.

The unrealized loss on financial instruments of $35.2 million in the six month Reporting Period resulted from a change to the fair value net asset position of $12.0 million at June 30, 2023 from the fair value net asset position of $47.2 million at December 31, 2022. The change in the fair value of the Corporation's financial instruments was primarily due to the: (i) decrease (or tightening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at June 30, 2023 as compared to the fair value previously assessed at December 31, 2022; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the 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,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Royalty expense *($000s)*(1)	**7,657**	**52,010**	**(85)**	**36,965**	**82,168**	**(55)**
Royalty expense per boe *($)*(2)	**1.09**	**7.75**	**(86)**	**2.69**	**6.06**	**(56)**
Effective royalty rate *(%)*(2)(3)	4	13	(69)	10	12	(17)

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

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

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

Royalty expense per boe decreased by 86% and 56% from the three and six month Comparable Prior Periods, respectively, primarily due to a lower average realized sales price received for Birchcliff's production and a prior period gas cost allowance adjustment recorded 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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Field operating expense	26,807	23,961	12	54,580	48,736	12
Recoveries	(1,100)	(1,165)	(6)	(2,371)	(2,093)	13
Operating expense	**25,707**	**22,796**	**13**	**52,209**	**46,643**	**12**
Operating expense per boe[1]	**$3.64**	**$3.40**	**7**	**$3.79**	**$3.44**	**10**

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

Operating expense per boe increased by 7% and 10% from the three and six month Comparable Prior Periods, respectively. The increases were primarily due to higher third-party natural gas processing fees as no major turnarounds at third-party plants occurred in the Reporting Periods, and inflationary increases in power and fuel prices, service labour and other supply costs used in Birchcliff's field operations, which together increased by 21% and 22% on a per boe basis, in the three and six month Reporting Periods, respectively. Operating expense per boe in the six month Reporting Period was also negatively impacted by an increase in property tax and regulatory fees in the Reporting Period.

Transportation and Other

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

			Three months ended June 30,			Six months ended June 30,
($000s)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Natural gas transportation	30,203	29,430	3	60,332	59,398	2
Liquids transportation	7,442	7,557	(2)	10,773	13,107	(18)
Fractionation	1,702	2,838	(40)	2,756	5,127	(46)
Other fees	-	30	(100)	3	60	(95)
Transportation expense	39,347	39,855	(1)	73,864	77,692	(5)
Transportation expense per boe[1]	$5.57	$5.93	(6)	$5.37	$5.73	(6)
Marketing purchases[2]	6,601	2,644	150	17,226	6,213	177
Marketing revenue[2]	(6,914)	(3,043)	127	(16,352)	(7,277)	125
Marketing loss (gain)[3]	(313)	(399)	(22)	874	(1,064)	(182)
Marketing loss (gain) per boe[4]	($0.04)	($0.06)	(33)	$0.06	($0.08)	(175)
Transportation and other expense[3]	**39,034**	**39,456**	**(1)**	**74,738**	**76,628**	**(2)**
Transportation and other expense per boe[4]	**$5.53**	**$5.87**	**(6)**	**$5.43**	**$5.65**	**(4)**

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

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

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

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

Transportation and other expense per boe decreased by 6% and 4% from the three and six month Comparable Prior Periods, respectively. The decreases were primarily due to lower liquids-handling and third-party fractionation fees that resulted from the Corporation reducing NGLs extraction from its natural gas stream due to the Pembina Outage in the Reporting Periods. Per boe transportation and other expense was also positively impacted by a reduction in the Corporation's fractionation fee rate in the three month Reporting Period.

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,		
($/boe)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Pouce Coupe assets						
Average production						
Light oil *(bbls/d)*	68	20	240	48	20	140
Condensate *(bbls/d)*	4,159	3,148	32	4,104	3,143	31
NGLs *(bbls/d)*	2,005	1,781	13	1,275	1,784	(29)
Natural gas *(Mcf/d)*	289,051	278,514	4	285,291	270,518	5
Production *(boe/d)*	**54,408**	**51,368**	**6**	**52,975**	**50,032**	**6**
Liquids-to-gas ratio *(bbls/MMcf)*	21.6	17.8	21	19.0	18.3	4
% of corporate production	70%	70%	-	70%	67%	4
Netback and cost ($/boe)						
Petroleum and natural gas revenue(1)(2)	23.16	57.92	(60)	25.96	49.01	(47)
Royalty expense(1)	(0.73)	(6.26)	(88)	(2.14)	(4.83)	(56)
Operating expense(1)	(2.82)	(2.54)	11	(2.96)	(2.68)	10
Transportation and other expense(3)	(5.77)	(5.71)	1	(5.43)	(5.58)	(3)
Operating netback(3)	**13.84**	**43.41**	**(68)**	**15.43**	**35.92**	**(57)**
Gordondale assets						
Average production						
Light oil *(bbls/d)*	1,864	1,832	2	1,961	2,088	(6)
Condensate *(bbls/d)*	1,296	1,346	(4)	1,303	1,499	(13)
NGLs *(bbls/d)*	4,802	4,568	5	3,781	5,374	(30)
Natural gas *(Mcf/d)*	90,342	87,451	3	95,747	94,880	1
Production *(boe/d)*	**23,019**	**22,321**	**3**	**23,002**	**24,774**	**(7)**
Liquids-to-gas ratio *(bbls/MMcf)*	88.1	88.6	(1)	73.6	94.4	(22)
% of corporate production	30%	30%	-	30%	33%	(9)
Netback and cost ($/boe)						
Petroleum and natural gas revenue(1)(2)	26.93	60.66	(56)	31.35	52.59	(40)
Royalty expense(1)	(1.92)	(11.19)	(83)	(3.93)	(8.56)	(54)
Operating expense(1)	(5.49)	(5.27)	4	(5.63)	(4.92)	14
Transportation and other expense(3)	(4.97)	(6.26)	(21)	(5.43)	(5.80)	(6)
Operating netback(3)	**14.55**	**37.94**	**(62)**	**16.36**	**33.31**	**(51)**
Corporate(4)						
Netback and cost ($/boe)						
Petroleum and natural gas revenue(1)(2)	24.28	58.75	(59)	27.60	50.19	(45)
Royalty expense(1)	(1.09)	(7.75)	(86)	(2.69)	(6.06)	(56)
Operating expense(1)	(3.64)	(3.40)	7	(3.79)	(3.44)	10
Transportation and other expense(3)	(5.53)	(5.87)	(6)	(5.43)	(5.65)	(4)
Operating netback(3)	**14.02**	**41.73**	**(66)**	**15.69**	**35.04**	**(55)**

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

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

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

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

Pouce Coupe Assets

Birchcliff's production from the Pouce Coupe assets increased by 6% from both 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, partially offset by natural production declines in the Reporting Periods.

The liquids-to-gas ratio for the Pouce Coupe assets increased by 21% and 4% from the three and six month Comparable

Prior Periods, respectively, primarily due to incremental liquids volumes from the new Montney/Doig wells brought on production since the Comparable Prior Periods.

Birchcliff's operating netback for the Pouce Coupe assets decreased by 68% and 57% from the three and six month Comparable Prior Periods, respectively, primarily due to lower per boe petroleum and natural gas revenue, partially offset by 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.

Gordondale Assets

Birchcliff's production from the Gordondale assets increased by 3% from the three month Comparable Prior Period primarily due to incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Periods, partially offset by the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes, and natural production declines in the Reporting Period. Birchcliff's production from the Gordondale assets decreased by 7% from the six month Comparable Prior Period primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes, and natural production declines, partially offset by incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period. Production in the Comparable Prior Periods was negatively impacted by a major scheduled turnaround that occurred in May and June 2022 at the AltaGas Facility that decreased production in the Gordondale area.

The liquids-to-gas ratio for the Gordondale assets decreased by 22% from the six month Comparable Prior Period primarily due to the Pembina Outage, which negatively impacted the Corporation's NGLs sales volumes in the Reporting Period.

Birchcliff's operating netback for the Gordondale assets decreased by 62% and 51% from the three and six month Comparable Prior Periods, respectively, primarily due to lower per boe petroleum and natural gas revenue, partially offset by lower per boe royalty expense, both of which were largely impacted by lower average realized sales prices received for Birchcliff's liquids and natural gas production in the Reporting Periods.

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)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash:						
Salaries and benefits(1)	9,003	6,490	39	16,507	13,381	23
Other(2)	6,158	4,589	34	11,590	8,660	34
G&A expense, gross	15,161	11,079	37	28,097	22,041	27
Operating overhead recoveries	(37)	(41)	(10)	(73)	(77)	(5)
Capitalized overhead(3)(4)	(4,475)	(3,328)	34	(7,917)	(6,566)	21
G&A expense, net	10,649	7,710	38	20,107	15,398	31
G&A expense, net per boe(5)	$1.51	$1.15	31	$1.46	$1.14	28
Non-cash:						
Other compensation	4,968	2,901	71	9,885	5,755	72
Capitalized compensation(3)(4)	(2,544)	(1,536)	66	(5,070)	(2,910)	74
Other compensation, net	2,424	1,365	78	4,815	2,845	69
Other compensation, net per boe(5)	$0.34	$0.20	70	$0.35	$0.21	67
Administrative expense, net	**13,073**	**9,075**	**44**	**24,922**	**18,243**	**37**
Administrative expense, net per boe(5)	**$1.85**	**$1.35**	**37**	**$1.81**	**$1.35**	**34**

(1) Includes salaries, benefits and incentives 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 expense and other compensation directly attributable to the exploration and development activities of the Corporation, which have been capitalized.

(4) In the three and six month Reporting Periods, the Corporation capitalized 35% and 34% of its administrative expense, respectively. These percentages are consistent with the Comparable Prior Periods.

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

On an aggregate basis, net administrative expense increased by 44% and 37% from the three and six month Comparable Prior Periods, respectively, due to higher net G&A expense and other compensation expense.

Net G&A expense increased primarily due to higher incentive payments made to the Corporation's employees, higher compliance, regulatory and advocacy costs and an increase in general business costs, including travel, insurance, office rent and other employee-related costs, largely due to inflationary pressures.

Other compensation expense increased primarily due to a higher Black-Scholes fair value expense associated with Birchcliff's annual stock option grants.

Stock Options

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

				Three months ended June 30,				Six months ended June 30,
		2023		2022		2023		2022
	Number	**Price (\$)[1]**	**Number**	**Price (\$)[1]**	**Number**	**Price (\$)[1]**	**Number**	**Price (\$)[1]**
Outstanding, beginning	19,389,198	5.65	18,078,542	3.76	20,322,784	5.53	23,116,919	3.96
Granted[2]	50,300	7.60	167,400	9.94	73,000	7.80	230,400	9.07
Exercised	(499,956)	(2.84)	(2,605,087)	(3.03)	(1,440,042)	(2.93)	(5,928,364)	(3.08)
Forfeited	(90,367)	(9.11)	(119,802)	(4.31)	(106,567)	(8.79)	(254,802)	(4.40)
Expired	-	-	-	-	-	-	(1,643,100)	(7.84)
Outstanding, ending	**18,849,175**	**5.72**	**15,521,053**	**3.95**	**18,849,175**	**5.72**	**15,521,053**	**3.95**

(1) Calculated on a weighted average basis.

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

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of \$3.00 to purchase one common share of Birchcliff. As at June 30, 2023, there remained 404,967 performance warrants (December 31, 2022 – 404,967) outstanding with an expiry date of January 31, 2025.

Depletion and Depreciation Expense

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

			Three months ended June 30,			Six months ended June 30,
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
Depletion and depreciation expense *(\$000s)*	56,460	50,486	12	111,924	101,588	10
Depletion and depreciation expense per boe *(\$)*[1]	8.00	7.52	6	8.13	7.50	8

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

D&D expense per boe increased by 6% and 8% from the three and six month Comparable Prior Periods, respectively, primarily due to a higher depletion rate on the Corporation's developed and producing assets and an increase in depreciation associated with the Corporation's turnaround assets and other minor capital assets.

Finance Expense

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	2023	2022	% Change	2023	2022	% Change
Cash:						
Interest expense[1]	4,527	3,380	34	7,711	6,645	16
Interest expense per boe[1][2]	$0.64	$0.50	28	$0.56	$0.49	14
Non-cash:						
Accretion[3]	1,065	1,075	(1)	2,218	1,938	14
Amortization of deferred financing fees	425	363	17	849	602	41
Other finance expenses	1,490	1,438	4	3,067	2,540	21
Other finance expenses per boe[2]	$0.21	$0.21	-	$0.22	$0.18	22
Finance expense	**6,017**	**4,818**	**25**	**10,778**	**9,185**	**17**
Finance expense per boe[2]	**$0.85**	**$0.71**	**20**	**$0.78**	**$0.67**	**16**

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

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

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

On an aggregate basis, finance expense increased by 25% and 17% 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 effective interest rate, partially offset by a lower average outstanding balance under the Syndicated Credit Facility 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,	
	2023	2022	2023	2022
Working Capital Facility *(%)*	7.8	4.2	7.7	3.9
Syndicated Credit Facility *(%)*[1][2]	6.6	3.0	6.6	2.6

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

(2) The Comparable Prior Periods have been restated to exclude standby charges. During the three and six month Reporting Periods, standby charges were $0.8 million and $1.8 million, respectively, as compared to $0.7 million and $1.2 million in the Comparable Prior Periods.

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

The average outstanding balance under the Syndicated Credit Facility was approximately $212.9 million and $124.9 million in the three and six month Reporting Periods, respectively, as compared to $327.8 million and $382.1 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)	2023	2022	% Change	2023	2022	% Change
Deferred tax expense	13,992	63,666	(78)	2,661	102,227	(97)
Dividend tax expense on preferred shares	-	686	(100)	-	1,373	(100)
Deferred income tax expense	**13,992**	**64,352**	**(78)**	**2,661**	**103,600**	**(97)**
Deferred income tax expense per boe[1]	**$1.99**	**$9.59**	**(79)**	**$0.20**	**$7.64**	**(97)**

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

On an aggregate basis, deferred income tax expense decreased by 78% and 97% from the three and six month Comparable Prior Periods, respectively, primarily due to lower before-tax net income in the Reporting Periods.

The Corporation's estimated income tax pools were $1.3 billion at June 30, 2023. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

As at, *($000s)*	**June 30, 2023**
Canadian oil and gas property expense	286,710
Canadian development expense	355,900
Canadian exploration expense[1]	292,570
Undepreciated capital costs	232,774
Non-capital losses[1]	134,432
Scientific research and experimental development expenditures[1]	20,844
Investment tax credits[2]	3,096
Financing costs and other	3,999
Estimated income tax pools	**1,330,325**

(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)	2023	2022	% Change	2023	2022	% Change
Land	5,698	875	551	6,898	1,669	313
Seismic	471	44	970	759	295	157
Workovers	2,764	2,462	12	5,040	5,344	(6)
Drilling and completions	46,341	60,777	(24)	128,964	109,471	18
Well equipment and facilities	9,481	20,089	(53)	38,133	55,750	(32)
F&D capital expenditures[1]	64,755	84,247	(23)	179,794	172,529	4
Acquisitions	-	1,500	(100)	-	1,500	(100)
Dispositions	(77)	-	-	(77)	(315)	(76)
FD&A capital expenditures[2]	64,678	85,747	(25)	179,717	173,714	3
Administrative assets	563	403	40	1,183	560	111
Total capital expenditures[2]	**65,241**	**86,150**	**(24)**	**180,900**	**174,274**	**4**

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

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

During the three month Reporting Period, Birchcliff had F&D capital expenditures of $64.8 million, which primarily included $35.3 million (54%) for the drilling and completions of new wells in Pouce Coupe, $10.2 million (16%) for the drilling of new wells in Elmworth and $7.7 million (12%) on gas gathering and infrastructure projects in Pouce Coupe. During the three month Reporting Period, Birchcliff drilled 1 (1.0 net) well and brought 8 (8.0 net) wells on production.

During the six month Reporting Period, Birchcliff had F&D capital expenditures of $179.8 million, which primarily included $116.9 million (65%) for the drilling and completions of new wells in Pouce Coupe, $10.2 million (6%) for the drilling of new wells in Elmworth and $34.7 million (19%) on gas gathering and infrastructure projects in Pouce Coupe.

During the six month Reporting Period, Birchcliff drilled 15 (15.0 net) wells and brought 23 (23.0 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

Working Capital

Adjusted working capital consists of items from normal day-to-day operations, which includes cash, accounts receivables, prepaid expenses and deposits and accounts payables and accrued liabilities, and excludes the current portion of financial instruments and other liabilities. The Corporation's adjusted working capital surplus[(5)] was $2.8 million at June 30, 2023 as compared to an adjusted working capital deficit[(5)] of $6.6 million at December 31, 2022. The change to a surplus position from a deficit position was primarily due to lower accounts payable and accrued liabilities arising from the Corporation's capital and operating activities, partially offset by a decrease in accounts receivable, which was largely due to lower petroleum and natural gas revenue in the Reporting Periods.

At June 30, 2023, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of June 2023 production (91%), which was subsequently received in July 2023. Birchcliff continues to monitor the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations. Birchcliff's current liabilities at June 30, 2023 primarily consisted of accounts payables and accrued liabilities for capital and operating expenses incurred in the Reporting Periods.

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.

Debt

At June 30, 2023, the Corporation's Credit Facilities were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million. The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. The agreement governing the Credit Facilities also contains provisions that give the lenders the right to redetermine the borrowing base in certain circumstances. In May 2023, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Credit Facilities. In connection therewith, the lenders confirmed the borrowing base limit at $850.0 million. The Credit Facilities have a maturity date of May 11, 2025 and do not contain any financial maintenance covenants.

Total debt at June 30, 2023 was $278.5 million, an increase of 101% from $138.5 million at December 31, 2022. The increase was primarily due to F&D capital expenditures (which are typically weighted more heavily in the first half of the year) and dividends paid to common shareholders being greater than adjusted funds flow in the six month Reporting Period. During the six month Reporting Period, Birchcliff incurred $179.8 million in F&D capital expenditures, paid $106.6 million in common share dividends and generated $158.4 million in adjusted funds flow.

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

Capital Resources

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

	Three months ended June 30,			Six months ended June 30,		
($000s)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Cash flow from operating activities	62,353	273,711	(77)	173,683	427,863	(59)
Issuance of common shares[1]	1,418	7,895	(82)	4,216	18,289	(77)
Repurchase of common shares[2]	(10,261)	(40,760)	(75)	(10,261)	(49,447)	(79)
Redemption of capital securities	-	(10)	(100)	-	(62)	(100)
Purchase of performance warrants	-	(14,506)	(100)	-	(14,506)	(100)
Financing fees paid	-	(1,275)	(100)	-	(1,275)	(100)
Lease payments	(615)	(615)	-	(1,229)	(1,229)	-
Dividend distributions	(53,241)	(7,025)	658	(106,633)	(11,400)	835
Net change in revolving term credit facilities	89,502	(120,811)	(174)	148,523	(224,167)	(166)
Investments	(720)	(584)	23	(1,170)	(784)	49
Changes in non-cash working capital from investing	(23,190)	(9,837)	136	(26,226)	30,994	(185)
Capital resources[3]	**65,246**	**86,183**	**(24)**	**180,903**	**174,276**	**4**

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

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

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

The capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations. Birchcliff's capital resources primarily consist of its adjusted funds flow and available Credit Facilities.

At June 30, 2023, Birchcliff had a balance outstanding under its Credit Facilities of $281.4 million from available Credit Facilities of $850.0 million, leaving the Corporation with $565.8 million (67%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and additional capital resources.

The Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2023 will be sufficient to fund its capital requirements, which include its working capital, F&D capital expenditures and future dividend payments in 2023. For further information, see *"Outlook and Guidance"* and *"Advisories"* in this MD&A. 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"* in this MD&A.

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, 2023:

($000s)	**2023**	**2024**	**2025-2027**	**Thereafter**
Accounts payable and accrued liabilities	87,578	-	-	-
Drawn revolving term credit facilities	-	-	284,045	-
Firm transportation and fractionation[1]	79,025	154,644	342,164	88,892
Natural gas processing[2]	9,743	19,380	55,625	85,869
Operating commitments[3]	1,039	2,078	6,234	173
Lease payments	1,556	3,111	10,025	484
Estimated contractual obligations and commitments[4]	**178,941**	**179,213**	**698,093**	**175,418**

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

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

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

(4) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at June 30, 2023 to be approximately $257.4 million and are estimated to be incurred as follows: 2023 – $2.0 million, 2024 – $3.5 million and $251.9 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

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

SHARE INFORMATION

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, each without par value. At August 10, 2023, there were 266,287,218 common shares and no preferred shares outstanding.

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

	Common Shares
Balance at December 31, 2022	266,046,810
Issuance of common shares[1]	1,440,042
Repurchase of common shares[2]	(1,265,268)
Balance at June 30, 2023	**266,221,584**
Issuance of common shares[1]	65,634
Balance at August 10, 2023	**266,287,218**

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

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

At August 10, 2023, the Corporation also had the following securities outstanding: (i) 18,849,175 stock options to purchase an equivalent number of common shares; and (ii) 404,967 performance warrants to purchase an equivalent number of common shares.

Normal Course Issuer Bid

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

During the six month Reporting Period, Birchcliff purchased 1,265,268 common shares pursuant to the NCIB at an average price of $8.10 for an aggregate cost of $10.2 million, before fees. No purchases were made by the Corporation pursuant to the NCIB subsequent to June 30, 2023.

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,		
	2023	2022	% Change	2023	2022	% Change
Common share dividend *($000s)*	53,241	5,310	903	106,633	7,968	1,238
Per common share *($)*	0.2000	0.0200	900	0.4000	0.0300	1,233

On January 18, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending March 31, 2023. The dividend was paid on March 31, 2023 to shareholders of record at the close of business on March 15, 2023. On May 10, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending June 30, 2023. The dividend was paid on June 30, 2023 to shareholders of record at the close of business on June 15, 2023.

Subsequent to June 30, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending September 30, 2023. The dividend will be payable on September 29, 2023 to shareholders of record at the close of business on September 15, 2023.

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

SUMMARY OF QUARTERLY RESULTS

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

Quarter ending,	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
Average light oil production *(bbls/d)*	1,936	2,088	2,413	2,254	1,855	2,369	2,604	2,878
Average condensate production *(bbls/d)*	5,462	5,358	4,822	4,601	4,500	4,796	5,330	5,990
Average NGLs production *(bbls/d)*	6,811	3,288	7,963	7,593	6,349	7,976	7,570	6,889
Average natural gas production *(Mcf/d)*	379,807	383,145	387,604	381,788	366,256	365,296	379,275	415,005
Average production *(boe/d)*	77,510	74,592	79,799	78,079	73,746	76,024	78,716	84,924
Average realized light oil sales price *($/bbl)*(1)(2)	89.89	105.69	115.24	115.94	135.91	115.47	92.79	83.52
Average realized condensate sales price *($/bbl)*(1)(2)	98.18	105.88	114.32	115.84	138.28	121.56	98.66	88.04
Average realized NGLs sales price *($/bbl)*(1)(2)	22.86	36.69	35.80	38.18	48.26	43.56	38.24	35.13
Average realized natural gas sales price *($/Mcf)*(1)(2)	2.67	3.68	6.11	6.83	8.61	5.40	5.52	4.46
Average realized sales price *($/boe)*(1)(2)	24.28	31.07	43.63	47.26	58.75	41.79	40.02	33.70
P&NG revenue *($000s)*(1)	171,291	208,647	320,358	339,531	394,315	285,976	289,806	263,348
Operating expense *($/boe)*(2)	3.64	3.95	4.06	3.50	3.40	3.49	3.50	2.96
F&D capital expenditures *($000s)*(3)	64,755	115,039	106,762	85,330	84,247	88,282	35,726	18,026
Total capital expenditures *($000s)*(4)	65,241	115,659	107,471	86,485	86,150	88,124	36,075	18,622
Cash flow from operating activities *($000s)*	62,353	111,330	224,447	272,965	273,711	154,152	196,142	155,606
Adjusted funds flow *($000s)*(4)	69,650	88,737	217,099	267,350	285,535	183,699	193,649	168,076
Per basic common share *($)*(5)	0.26	0.33	0.82	1.01	1.08	0.69	0.73	0.63
Per diluted common share *($)*(5)	0.26	0.33	0.79	0.97	1.03	0.67	0.70	0.61
Free funds flow *($000s)*(4)	4,895	(26,302)	110,337	182,020	201,288	95,417	157,923	150,050
Net income (loss) to common shareholders *($000s)*	42,753	(42,548)	69,453	244,582	213,855	125,792	106,102	138,367
Per basic common share *($)*	0.16	(0.16)	0.26	0.92	0.81	0.47	0.40	0.52
Per diluted common share *($)*	0.16	(0.16)	0.25	0.89	0.77	0.46	0.38	0.50
Total assets *($ millions)*	3,165	3,141	3,169	3,188	3,066	3,006	2,960	2,993
Total liabilities *($ millions)*	856	817	757	788	857	961	1,042	1,170
Revolving term credit facilities *($000s)*	281,354	191,426	131,981	196,989	276,030	397,752	500,870	648,327
Total debt *($000s)*(6)	278,521	217,927	138,549	186,064	266,894	408,998	499,397	637,905
Dividends on common shares *($000s)*	53,241	53,392	58,503	5,317	5,310	2,658	2,646	1,330
Weighted average common shares outstanding								
Basic *(000s)*	266,354	266,447	265,922	265,298	265,440	265,530	265,197	266,547
Diluted *(000s)*	272,365	266,447	275,567	274,223	276,015	275,980	276,600	276,282

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

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

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

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

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

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

Average daily production volumes in the last eight quarters were primarily impacted by Birchcliff's successful drilling of liquids-rich natural gas and light oil horizontal wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods. Light oil production has generally trended lower over the last eight quarters primarily due to the Corporation specifically targeting natural gas wells in liquids-rich zones in the Pouce Coupe and Gordondale areas. Production in the first and second quarter of 2023 was negatively impacted by a decrease in NGLs sales volumes as a result of the Pembina Outage. Light oil and NGLs production during the second quarter of 2022 were lower compared to the other disclosed quarters due to the turnaround at the AltaGas Facility.

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. The Corporation's average realized sales price in the two most recently completed quarters decreased significantly from the prior quarters due to the decline in benchmark oil and natural gas 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 quarter to quarter based on the Corporation's outlook for commodity prices and market conditions, the level of drilling and completions operations and other capital projects and the timing thereof.

The Corporation's free funds flow is impacted by the amount and timing of F&D capital expenditures (which are typically weighted more heavily in the first half of the year) and fluctuations in adjusted funds flow quarter to quarter.

The revolving term credit facilities and total debt in the last two quarters have trended higher primarily due to the aggregate of F&D capital expenditures and dividends paid to common shareholders being greater than adjusted funds flow in the first and second quarter of 2023.

The Corporation pays dividends on its common shares when declared and approved by the Board. The dividend payments on the Corporation's common shares increased substantially in the last three quarters as a result of the increased quarterly base dividend of $0.20 per common share that was paid in the first and second quarter of 2023 and a special dividend of $0.20 per common share that was paid in the fourth quarter of 2022.

POTENTIAL TRANSACTIONS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting ("**ICFR**") that occurred during the period beginning on April 1, 2023 and ended on June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

CRITICAL ACCOUNTING ESTIMATES

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

Benchmark oil and natural gas prices remained volatile during the Reporting Periods primarily due to continued supply cuts by the OPEC+, the potential for a global economic slowdown attributed to rising inflation and interest rates, ongoing geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages, which have increased inflationary pressures on global economies. These events and economic conditions remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial 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 these economic conditions and events have been considered in management's estimates and assumptions at June 30, 2023 and have been reflected in the Corporation's results.

REGULATORY UPDATE

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. On June 26, 2023, the International Sustainability Standards Board published the new IFRS sustainability disclosure standards, IFRS S1 G*eneral Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (collectively, the "**ISSB Standards**"). There is no requirement for public companies in Canada, including the Corporation, to adopt the ISSB Standards until the Canadian Sustainability Standards Board and the Canadian Securities Administrators have made a decision on the applicable reporting requirements in Canada.

RISK FACTORS

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

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

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

Birchcliff defines "free funds flow" as adjusted funds flow less F&D capital expenditures. Management believes that free funds flow assists management and investors in assessing Birchcliff's ability to generate shareholder returns through a number of initiatives, including but not limited to, debt repayment, common share buybacks, the payment of common share dividends, acquisitions and other opportunities that would complement or otherwise improve the Corporation's business and enhance long-term shareholder value.

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

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

	Three months ended June 30,		**Six months ended June 30,**		**Twelve months ended December 31,**
($000s)	**2023**	**2022**	**2023**	**2022**	**2022**
Cash flow from operating activities	**62,353**	**273,711**	**173,683**	**427,863**	**925,275**
Change in non-cash operating working capital	6,137	11,199	(16,830)	40,029	25,662
Decommissioning expenditures	1,160	625	1,534	1,342	2,746
Adjusted funds flow	**69,650**	**285,535**	**158,387**	**469,234**	**953,683**
F&D capital expenditures	(64,755)	(84,247)	(179,794)	(172,529)	(364,621)
Free funds flow	**4,895**	**201,288**	**(21,407)**	**296,705**	**589,062**
Dividends on common shares	(53,241)	(5,310)	(106,633)	(7,968)	(71,788)
Excess free funds flow	**(48,346)**	**195,978**	**(128,040)**	**288,737**	**517,274**

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

Capital Resources

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

FD&A and Total Capital Expenditures

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Exploration and development expenditures[1]	**64,755**	**84,247**	**179,794**	**172,529**
Acquisitions	-	1,500	-	1,500
Dispositions	(77)	-	(77)	(315)
FD&A capital expenditures	**64,678**	**85,747**	**179,717**	**173,714**
Administrative assets	563	403	1,183	560
Total capital expenditures	**65,241**	**86,150**	**180,900**	**174,274**

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

Transportation and Other Expense and Marketing Gains and Losses

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Transportation expense	**39,347**	**39,855**	**73,864**	**77,692**
Marketing purchases	6,601	2,644	17,226	6,213
Marketing revenue	(6,914)	(3,043)	(16,352)	(7,277)
Marketing (gain) loss	**(313)**	**(399)**	**874**	**(1,064)**
Transportation and other expense	**39,034**	**39,456**	**74,738**	**76,628**

Operating Netback

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2023**	**2022**	**2023**	**2022**
Petroleum and natural gas revenue	114,644	270,762	248,960	443,816
Royalty expense	(3,602)	(29,253)	(20,544)	(43,742)
Operating expense	(13,960)	(11,870)	(28,412)	(24,268)
Transportation and other expense	(28,577)	(26,718)	(52,064)	(50,521)
Operating netback – Pouce Coupe assets	**68,505**	**202,921**	**147,940**	**325,285**
Petroleum and natural gas revenue	56,405	123,213	130,507	235,815
Royalty expense	(4,018)	(22,733)	(16,375)	(38,385)
Operating expense	(11,508)	(10,714)	(23,428)	(22,061)
Transportation and other expense	(10,402)	(12,706)	(22,580)	(26,024)
Operating netback – Gordondale assets	**30,477**	**77,060**	**68,124**	**149,345**
Petroleum and natural gas revenue	171,291	394,315	379,938	680,291
Royalty expense	(7,657)	(52,010)	(36,965)	(82,168)
Operating expense	(25,707)	(22,796)	(52,209)	(46,643)
Transportation and other expense	(39,034)	(39,456)	(74,738)	(76,628)
Operating netback – Corporate	**98,893**	**280,053**	**216,026**	**474,852**

Non-GAAP Ratios

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

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

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

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

Free Funds Flow Per Basic Common Share

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

Transportation and Other Expense Per Boe

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

Marketing Gains and Losses Per Boe

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

Operating Netback Per Boe

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

Supplementary Financial Measures

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

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

Capital Management Measures

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

Total Debt and Adjusted Working Capital Deficit (Surplus)

Birchcliff calculates "total debt" as the amount outstanding under the Corporation's revolving term 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) plus the fair value of the current asset portion of financial instruments less the fair value of the current liability portion of financial instruments, less the current portion of other liabilities and less capital securities (if any) at the end of the period. Management believes that total debt assists management and investors in assessing Birchcliff's overall liquidity and financial position at the end of the period. Management believes that adjusted working capital deficit (surplus) assists management and investors in assessing Birchcliff's short-term liquidity. The following table provides a reconciliation of the amount outstanding under the revolving term 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, 2023	December 31, 2022	June 30, 2022
Revolving term credit facilities	**281,354**	**131,981**	**276,030**
Working capital deficit (surplus)(1)	1,211	(7,902)	18,633
Fair value of financial instruments – asset(2)	7,979	17,729	13,099
Fair value of financial instruments – liability(2)	(9,516)	(1,345)	(2,663)
Other liabilities(2)	(2,507)	(1,914)	-
Capital securities	-	-	(38,205)
Adjusted working capital deficit (surplus)	**(2,833)**	**6,568**	**(9,136)**
Total debt(3)	**278,521**	**138,549**	**266,894**

(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 revolving term credit facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the period.

ADVISORIES

Unaudited Information

All financial and operational information contained in this MD&A for the Reporting Periods and the 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;
- the information set forth under the heading *"Outlook and Guidance"* as it relates to Birchcliff's outlook and guidance and its exploration and development activities, including: that Birchcliff is on track to meet its 2023 annual average production guidance of 77,000 to 80,000 boe/d; that Birchcliff currently expects its annual average production to be on the lower end of this guidance range; that the Corporation anticipates solid production results from the remaining 9 wells in its capital program scheduled to be brought on production in Q4 2023, which will help to offset the negative impact of the Pembina Outage; that Birchcliff's F&D capital expenditures are expected to be in-line with its guidance of $270 million to $280 million, which includes the bringing on production of 32 wells in Pouce Coupe and Gordondale and the drilling of 2 additional land retention wells in the Elmworth area; that the drilling of these additional wells will continue a significant number of sections of Montney lands in Elmworth, thereby preserving Birchcliff's optionality for future growth in the area; forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base common share dividend, excess free funds flow, total debt at year end and natural gas market exposure in 2023; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow in 2023; and that the forecast of total debt at December 31, 2023 is expected to be comprised of any amounts outstanding under the Credit Facilities plus accounts payable and accrued liabilities and less cash, accounts receivable and prepaid expenses and deposits at the end of the year;
- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: the Corporation's expectation that counterparties will be able to meet their financial obligations; that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; that the unutilized credit capacity under its Credit Facilities provides Birchcliff with significant financial flexibility and additional capital resources; that the Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2023 will be sufficient to fund its capital requirements, which include its working capital, F&D capital expenditures and future dividend payments in 2023; and 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;

- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations;
- the Corporation's belief that it does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a future effect on the Corporation's financial position, operational results, liquidity or capital expenditures;
- statements relating to the NCIB, including: potential purchases under the NCIB; and the cancellation of common shares under the NCIB;
- statements regarding potential transactions; and
- that Birchcliff anticipates the forward-looking non-GAAP financial measures for adjusted funds flow, free funds flow and excess free funds flow disclosed herein to be lower than their respective historical amounts primarily due to lower anticipated benchmark oil and natural gas prices, which are expected to decrease the average realized sales prices the Corporation receives for its production; and that the forward-looking non-GAAP financial measure for excess free funds flow disclosed herein is expected to be lower as a result of a higher targeted annual base common share dividend payment forecast during 2023.

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

- With respect to Birchcliff's 2023 guidance, such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance".* In addition:
  - Birchcliff's production guidance assumes that: the 2023 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 2023 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 2023 capital program will be carried out as currently contemplated and the level of capital spending for 2023 set forth herein is met; and

the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its outstanding physical and financial basis swap contracts and excludes cash incentive payments that have not been approved by the Board.

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

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

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

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

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

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

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

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at,	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	77	74
Accounts receivable	61,825	125,005
Prepaid expenses and deposits	28,509	12,140
Financial instruments *(Note 12)*	7,979	17,729
	98,390	154,948
Non-current assets:		
Investments *(Note 13)*	9,474	10,961
Petroleum and natural gas properties and equipment *(Note 3)*	3,044,036	2,972,592
Financial instruments *(Note 12)*	13,597	30,864
	3,067,107	3,014,417
Total assets	**3,165,497**	**3,169,365**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	87,578	143,787
Other liabilities *(Note 9)*	2,507	1,914
Financial instruments *(Note 12)*	9,516	1,345
	99,601	147,046
Non-current liabilities:		
Revolving term credit facilities *(Note 4)*	281,354	131,981
Decommissioning obligations *(Note 5)*	94,340	99,720
Deferred income taxes	357,777	355,115
Other liabilities *(Note 9)*	22,645	22,850
Financial instruments *(Note 12)*	4	-
	756,120	609,666
Total liabilities	855,721	756,712
SHAREHOLDERS' EQUITY		
Common share capital *(Note 6)*	1,426,380	1,430,944
Contributed surplus	94,675	86,560
Retained earnings	788,721	895,149
Total shareholders' equity	2,309,776	2,412,653
Total shareholders' equity and liabilities	**3,165,497**	**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,	
	2023	**2022**	**2023**	**2022**
REVENUE				
Petroleum and natural gas revenue *(Note 8)*	171,291	394,315	379,938	680,291
Marketing revenue *(Note 8)*	6,914	3,043	16,352	7,277
Royalties	(7,657)	(52,010)	(36,965)	(82,168)
Realized gain (loss) on financial instruments *(Note 12)*	(13,239)	16,687	(29,050)	16,488
Unrealized gain (loss) on financial instruments *(Note 12)*	48,240	47,453	(35,192)	82,128
Other expense	(828)	(114)	(771)	(61)
	204,721	409,374	294,312	703,955
EXPENSES				
Operating	25,707	22,796	52,209	46,643
Transportation	39,347	39,855	73,864	77,692
Marketing purchases *(Note 8)*	6,601	2,644	17,226	6,213
Administrative, net	13,073	9,075	24,922	18,243
Depletion and depreciation *(Note 3)*	56,460	50,486	111,924	101,588
Finance	6,017	4,818	10,778	9,185
Dividends on capital securities	-	668	-	1,338
Other loss (gain) *(Notes 5 & 13)*	771	(222)	523	(2,288)
	147,976	130,120	291,446	258,614
Net income before taxes	56,745	279,254	2,866	445,341
Deferred income tax expense	(13,992)	(64,352)	(2,661)	(103,600)
NET INCOME AND COMPREHENSIVE INCOME	**42,753**	**214,902**	**205**	**341,741**
Net income per common share *(Note 7)*				
Basic	**$0.16**	**$0.81**	**$0.00**	**$1.28**
Diluted	**$0.16**	**$0.77**	**$0.00**	**$1.23**

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

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

Unaudited (Expressed in thousands of Canadian dollars)

	Share Capital				
	Common Shares	**Preferred Shares**	**Contributed Surplus**	**Retained Earnings**	**Total**
As at December 31, 2021	1,463,424	41,434	90,924	321,821	1,917,603
Issuance of common shares *(Notes 6 & 10)*	24,435	-	(6,146)	-	18,289
Repurchase of common shares *(Note 6)*	(49,447)	-	-	-	(49,447)
Purchase of performance warrants (Note 10)	(8,213)	-	(6,293)	-	(14,506)
Dividends on common shares *(Note 6)*	-	-	-	(7,968)	(7,968)
Dividends on perpetual preferred shares	-	-	-	(2,094)	(2,094)
Stock-based compensation *(Note 10)*	-	-	5,471	-	5,471
Net income	-	-	-	341,741	341,741
As at June 30, 2022	**1,430,199**	**41,434**	**83,956**	**653,500**	**2,209,089**
As at December 31, 2022	1,430,944	-	86,560	895,149	2,412,653
Issuance of common shares *(Notes 6 & 10)*	5,697	-	(1,481)	-	4,216
Repurchase of common shares *(Note 6)*	(10,261)	-	-	-	(10,261)
Dividends on common shares *(Note 6)*	-	-	-	(106,633)	(106,633)
Stock-based compensation *(Note 10)*	-	-	9,596	-	9,596
Net income	-	-	-	205	205
As at June 30, 2023	**1,426,380**	**-**	**94,675**	**788,721**	**2,309,776**

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,	
	2023	**2022**	**2023**	**2022**
Cash provided by (used in):				
OPERATING				
Net income	42,753	214,902	205	341,741
Adjustments for items not affecting operating cash:				
Unrealized loss (gain) on financial instruments *(Note 12)*	(48,240)	(47,453)	35,192	(82,128)
Depletion and depreciation *(Note 3)*	56,460	50,486	111,924	101,588
Other compensation	2,424	1,365	4,815	2,845
Finance	6,017	4,818	10,778	9,185
Other loss (gain)	771	(222)	523	(2,288)
Deferred income tax expense	13,992	64,352	2,661	103,600
Interest paid	(4,527)	(3,381)	(7,711)	(6,647)
Dividends on capital securities	-	668	-	1,338
Decommissioning expenditures *(Note 5)*	(1,160)	(625)	(1,534)	(1,342)
Changes in non-cash working capital	(6,137)	(11,199)	16,830	(40,029)
	62,353	273,711	173,683	427,863
FINANCING				
Issuance of common shares *(Note 6)*	1,418	7,895	4,216	18,289
Repurchase of common shares *(Note 6)*	(10,261)	(40,760)	(10,261)	(49,447)
Repurchase of capital securities	-	(10)	-	(62)
Purchase of performance warrants	-	(14,506)	-	(14,506)
Financing fees paid	-	(1,275)	-	(1,275)
Lease payments *(Note 9)*	(615)	(615)	(1,229)	(1,229)
Dividend distributions *(Note 6)*	(53,241)	(7,025)	(106,633)	(11,400)
Net change in revolving term credit facilities *(Note 4)*	89,502	(120,811)	148,523	(224,167)
	26,803	(177,107)	34,616	(283,797)
INVESTING				
Exploration and development *(Note 3)*	(64,755)	(84,247)	(179,794)	(172,529)
Acquisitions *(Note 3)*	-	(1,500)	-	(1,500)
Dispositions *(Note 3)*	77	-	77	315
Administrative assets *(Note 3)*	(563)	(403)	(1,183)	(560)
Investments	(720)	(584)	(1,170)	(784)
Changes in non-cash working capital	(23,190)	(9,837)	(26,226)	30,994
	(89,151)	(96,571)	(208,296)	(144,064)
Net change in cash	5	33	3	2
Cash, beginning of period	72	32	74	63
CASH, END OF PERIOD	**77**	**65**	**77**	**65**

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, 2023, AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

Unaudited (Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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

These unaudited interim condensed financial statements were approved and authorized for issuance by Birchcliff's board of directors (the "**Board**") on August 10, 2023.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at June 30, 2023, and for the three and six months ended June 30, 2023, including the 2022 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, 2022. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2022.

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

Current Environment and Estimation Uncertainty

Benchmark oil and natural gas prices continued to be volatile during the six months ended June 30, 2023 primarily due to the continued supply cuts by the Organization of the Petroleum Exporting Countries and including Russia (OPEC+), the potential for a global economic slowdown attributed to rising inflation and interest rates, ongoing geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages, which continue to increase inflationary pressures on global economies. These events and economic conditions remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and conditions, or the extent to which they will impact the Corporation long-term.

Climate Change and Environmental Reporting

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. On June 26, 2023, the International Sustainability Standards Board published the new IFRS sustainability disclosure standards, IFRS S1 G*eneral Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, with the aim to develop an environment sustainability disclosure framework that is accepted globally. In addition, the Canadian Securities Administrators have proposed National

Instrument 51-107 – *Disclosure of Climate-related Matters*, with additional climate-related disclosure requirements for certain reporting issuers in Canada. If the Corporation is unable to meet future sustainability reporting requirements of regulators or current and future expectations of stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolved over time, has not yet been quantified.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2021	389	4,377,505	20,078	23,648	4,421,620
Additions	17	330,114	-	1,576	331,707
Acquisitions	-	2,776	-	-	2,776
Dispositions	-	(315)	-	-	(315)
As at December 31, 2022	406	4,710,080	20,078	25,224	4,755,788
Additions	-	181,157	951	1,183	183,291
Acquisitions	-	154	-	-	154
Dispositions	-	(77)	-	-	(77)
As at June 30, 2023[1]	406	4,891,314	21,029	26,407	4,939,156
Accumulated depletion and depreciation:					
As at December 31, 2021	-	(1,543,943)	(5,981)	(19,464)	(1,569,388)
Depletion and depreciation expense[2]	-	(210,049)	(2,035)	(1,724)	(213,808)
As at December 31, 2022	-	(1,753,992)	(8,016)	(21,188)	(1,783,196)
Depletion and depreciation expense[2]	-	(110,149)	(1,018)	(757)	(111,924)
As at June 30, 2023	-	(1,864,141)	(9,034)	(21,945)	(1,895,120)
Net book value:					
As at December 31, 2022	**406**	**2,956,088**	**12,062**	**4,036**	**2,972,592**
As at June 30, 2023	**406**	**3,027,173**	**11,995**	**4,462**	**3,044,036**

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

(2) Future development costs required to develop and produce proved and probable oil and gas reserves totalled approximately $4.5 billion at June 30, 2023 (December 31, 2022 – $4.5 billion) and are included in the depletion expense calculation.

Impairment Assessment

In accordance with IFRS, an impairment test is performed if Birchcliff identifies indicators of impairment at the end of a reporting period. At June 30, 2023 and December 31, 2022, Birchcliff determined there were no impairment indicators present and therefore an impairment test was not required.

4. REVOLVING TERM CREDIT FACILITIES

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

As at, ***($000s)***	**June 30, 2023**	**December 31, 2022**
Syndicated credit facility	271,189	109,201
Working capital facility	12,856	26,321
Drawn revolving term credit facilities	284,045	135,522
Unamortized deferred financing fees	(2,691)	(3,541)
Revolving term credit facilities	**281,354**	**131,981**

At June 30, 2023, the aggregate principal amount of the Corporation's revolving term credit facilities was $850.0 million with maturity dates of May 11, 2025 which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million (collectively, the "**Credit Facilities**").

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

5. DECOMMISSIONING OBLIGATIONS

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its decommissioning obligations is approximately $257.4 million at June 30, 2023 (December 31, 2022 – $281.0 million). A reconciliation of the decommissioning obligations is set forth below:

As at, *($000s)*	**June 30, 2023**	**December 31, 2022**
Balance, beginning	99,720	140,603
Obligations incurred	1,359	4,004
Obligations acquired	154	428
Obligations divested	-	(19)
Changes in estimated future cash flows(1)	(5,068)	(44,996)
Accretion	1,842	3,248
Decommissioning expenditures(2)	(3,667)	(3,548)
Balance, ending(3)	**94,340**	**99,720**

(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.

(2) Includes $0.8 million and $2.1 million of funding from the Alberta Site Rehabilitation Program for the 2022 and 2023 periods, respectively, that were recorded to income as "other gain".

(3) Birchcliff applied an inflation rate of 1.7% and a discount nominal risk-free rate of 3.09% to calculate the present value of the decommissioning obligations at June 30, 2023 and an inflation rate of 2.09% and a discount nominal risk-free rate of 3.28% at December 31, 2022.

6. CAPITAL STOCK

Share Capital

(a) Authorized:

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

Unlimited number of preferred shares, with no par value.

(b) Number of common shares issued and outstanding:

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

As at, *(000s)*	**June 30, 2023**	**December 31, 2022**
Outstanding at beginning of period	266,047	264,790
Issuance of common shares(1)	1,440	7,597
Repurchase of common shares(2)	(1,265)	(6,340)
Outstanding at end of period	**266,222**	**266,047**

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

(2) On November 17, 2022, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,295,786 of its outstanding common shares over a period of twelve months commencing on November 25, 2022 and terminating no later than November 24, 2023. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Pursuant to the rules of the TSX, the total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 455,368 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares under the NCIB will be cancelled. During the six months ended June 30, 2023, the Corporation purchased 1,265,268 common shares under the NCIB at an average price of $8.10 for an aggregate value of $10.3 million, after fees. All such common shares were cancelled.

Dividends

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Common share dividend *($000s)*	53,241	5,310	106,633	7,968
Per common share *($)*	0.2000	0.0200	0.4000	0.0300

On May 10, 2023, the Board declared a quarterly cash dividend of $0.20 per common share for the quarter ending June 30, 2023. The dividend was paid on June 30, 2023 to shareholders of record at the close of business on June 15, 2023. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

7. 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,	
($000s, except for per share information)	**2023**	**2022**	**2023**	**2022**
Net income to common shareholders (*$000s)*[(1)]	42,753	213,855	205	339,647
Weighted average basic common shares outstanding *(000s)*	266,354	265,440	266,400	265,485
Dilutive securities *(000s)*	6,011	10,575	6,462	10,586
Weighted average diluted common shares outstanding *(000s)*[(2)]	272,365	276,015	272,862	276,071
Per basic common share	**$0.16**	**$0.81**	**$0.00**	**$1.28**
Per diluted common share	**$0.16**	**$0.77**	**$0.00**	**$1.23**

(1) Net income for the three and six months ended June 30, 2022 has been reduced by the dividends on Series A Preferred Shares totalling $1.0 million and $2.1 million, respectively, in determining the net income to common shareholders.

(2) The weighted average diluted common shares outstanding excludes 5,961,067 stock options that were anti-dilutive for the three and six months ended June 30, 2023 (June 30, 2022 – 167,400 and 5,513,000, respectively).

8. 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)	**2023**	**2022**	**2023**	**2022**
Light oil sales	15,837	22,935	35,699	47,560
Condensate[(1)]	48,799	56,620	99,861	109,086
NGLs sales[(2)]	14,169	27,887	25,024	59,152
Natural gas sales	92,448	286,855	219,270	464,464
P&NG sales[(3)(4)]	171,253	394,297	379,854	680,262
Royalty income	38	18	84	29
P&NG revenue	171,291	394,315	379,938	680,291
Marketing revenue[(5)]	6,914	3,043	16,352	7,277
Revenue from contracts with customers	**178,205**	**397,358**	**396,290**	**687,568**

(1) Consists of pentanes plus.

(2) Consists of ethane, propane and butane.

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

(4) Included in accounts receivable at June 30, 2023 was $56.4 million (June 30, 2022 – $127.8 million) in P&NG sales to be received from its marketers in respect of June 2023 production, which was subsequently received in July 2023.

(5) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain marketing purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. For the three and six months ended June 30, 2023, the Corporation had marketing purchases from third parties of $6.6 million and $17.2 million, respectively (June 30, 2022 – $2.6 million and $6.2 million).

9. OTHER LIABILITIES

Post-Employment Benefit Obligations

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan was approximately $15.3 million at June 30, 2023 (December 31, 2022 – $15.3 million).

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

As at, *($000s)*	**June 30, 2023**	**December 31, 2022**
Balance, beginning	11,170	9,895
Obligations incurred[1]	290	1,091
Accretion	101	184
Balance, ending[2]	**11,561**	**11,170**
Current portion	-	-
Long-term portion	11,561	11,170

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

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligations at June 30, 2023 and December 31, 2022.

Lease Obligations

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations was approximately $15.2 million at June 30, 2023 (December 31, 2022 – $15.3 million) and is expected to be settled by 2029. A reconciliation of the discounted lease obligations is set forth below:

As at, *($000s)*	**June 30, 2023**	**December 31, 2022**
Balance, beginning	13,594	15,434
Lease payments	(1,229)	(2,458)
Change in estimate	951	-
Accretion	275	618
Balance, ending[1]	**13,591**	**13,594**
Current portion	2,507	1,914
Long-term portion	11,084	11,680

(1) Birchcliff applied a discount rate of 4.7% to calculate the discounted value of the lease obligations at June 30, 2023 and December 31, 2022.

10. SHARE-BASED PAYMENT

Stock Options

At June 30, 2023, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,622,158 (June 30, 2022 – 26,520,398) common shares. At June 30, 2023, there remained 7,772,983 (June 30, 2022 – 10,999,345) stock options available for issuance. For the stock options exercised during the six months ended June 30, 2023, the weighted average common share trading price on the TSX was $8.22 (June 30, 2022 – $10.08) per common share.

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

				Three months ended June 30,				**Six months ended June 30,**
		2023		**2022**		**2023**		**2022**
	Number	**Price *($)*[1]**	**Number**	**Price *($)*[1]**	**Number**	**Price *($)*[1]**	**Number**	**Price *($)*[1]**
Outstanding, beginning	19,389,198	5.65	18,078,542	3.76	20,322,784	5.53	23,116,919	3.96
Granted[2]	50,300	7.60	167,400	9.94	73,000	7.80	230,400	9.07
Exercised	(499,956)	(2.84)	(2,605,087)	(3.03)	(1,440,042)	(2.93)	(5,928,364)	(3.08)
Forfeited	(90,367)	(9.11)	(119,802)	(4.31)	(106,567)	(8.79)	(254,802)	(4.40)
Expired	-	-	-	-	-	-	(1,643,100)	(7.84)
Outstanding, ending	**18,849,175**	**5.72**	**15,521,053**	**3.95**	**18,849,175**	**5.72**	**15,521,053**	**3.95**

(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, 2023 was $1.77 (June 30, 2022 – $4.75). In determining the stock-based compensation expense for options issued during the three months ended June 30, 2023, the Corporation applied a weighted average estimated forfeiture rate of 7.2% (June 30, 2022 – 7.7%).

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

Three months ended,	**June 30, 2023**	**June 30, 2022**
Risk-free interest rate	3.3%	2.7%
Expected life *(years)*	4.0	4.0
Expected volatility	57.6%	62.0%
Dividend yield	10.4%	0.5%

A summary of the stock options outstanding and exercisable under the Option Plan at June 30, 2023 is set forth below:

Grant Price *($)*		**Awards Outstanding**			**Awards Exercisable**		
Low	**High**	**Quantity**	**Weighted Average Remaining Contractual Life *(years)***	**Weighted Average Exercise Price *($)***	**Quantity**	**Weighted Average Remaining Contractual Life *(years)***	**Weighted Average Exercise Price *($)***
0.78	3.00	6,048,063	2.00	2.02	4,500,622	1.84	2.10
3.01	6.00	1,630,445	0.85	3.61	1,536,943	0.71	3.57
6.01	9.00	5,424,434	3.48	6.60	1,766,420	3.44	6.57
9.01	11.65	5,746,233	4.44	9.37	30,133	2.58	10.99
		18,849,175	**3.07**	**5.72**	**7,834,118**	**1.99**	**3.43**

Performance Warrants

On January 18, 2005, Birchcliff issued 4,049,665 performance warrants as part of its initial restructuring to become a public entity. Each performance warrant is exercisable at a price of $3.00 to purchase one common share of Birchcliff. As at June 30, 2023, there remained 404,967 performance warrants (December 31, 2022 – 404,967) outstanding with an expiry date of January 31, 2025.

11. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available debt capacity and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the six months ended June 30, 2023.

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

As at, *($000s)*	**June 30, 2023**	**December 31, 2022**
Maximum borrowing base limit(1):		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(281,354)	(131,981)
Unamortized deferred financing fees	(2,691)	(3,541)
Outstanding letters of credit(2)	(185)	(185)
	(284,230)	(135,707)
Unused credit	**565,770**	**714,293**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. In connection with the most recent semi-annual review of the borrowing base limit under the Credit Facilities, which was completed by the Corporation's syndicate of lenders in May 2023, the borrowing base limit was confirmed at $850.0 million and the maturity date was confirmed at May 11, 2025.

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

The capital structure of the Corporation is as follows:

As at, *($000s)*	June 30, 2023	December 31, 2022	% Change
Total shareholders' equity(1)	**2,309,776**	**2,412,653**	**(4)**
Total shareholders' equity as a % of total capital	89%	95%	
Revolving term credit facilities	281,354	131,981	
Working capital deficit (surplus)(2)	1,211	(7,902)	
Fair value of financial instruments - asset(3)	7,979	17,729	
Fair value of financial instruments - liability(3)	(9,516)	(1,345)	
Other liabilities(3)	(2,507)	(1,914)	
Adjusted working capital deficit (surplus)(4)	(2,833)	6,568	
Total debt	**278,521**	**138,549**	**101**
Total debt as a % of total capital	11%	5%	
Total capital	**2,588,297**	**2,551,202**	**1**

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

(2) Current liabilities less current assets.

(3) Reflects the current portion only.

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

12. RISK MANAGEMENT

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

Commodity Price Risk

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

Financial Derivative Contracts

At June 30, 2023, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial instruments as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss and realized upon settlement.

At June 30, 2023, Birchcliff had the following financial derivative contracts in place in order to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[1]	Contract Price	Asset (Liability) *($000s)*
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.298/MMBtu	(2,257)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.320/MMBtu	(1,323)
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2023	NYMEX HH less US$1.330/MMBtu	(2,467)
Natural gas	AECO 7A basis swap[2]	15,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	(803)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(316)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(322)
Natural gas	AECO 7A basis swap[2]	12,500 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	325
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	225
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	934
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	(234)
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	(502)
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jul. 1, 2023 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	(315)
Natural gas	AECO 7A basis swap[2]	30,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	1,613
Natural gas	AECO 7A basis swap[2]	35,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	2,802
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	689
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	1,513
Natural gas	AECO 7A basis swap[2]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	384
Natural gas	AECO 7A basis swap[2]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu	648
Natural gas	AECO 7A basis swap[2]	40,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.979/MMBtu	1,080
Natural gas	AECO 7A basis swap[2]	20,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.960/MMBtu	731
Natural gas	AECO 7A basis swap[2]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu	2,347
				Fair value	**4,752**

(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, 2023, 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, 2023 would have changed by approximately $15.7 million.

There were no financial derivative contracts entered into subsequent to June 30, 2023 to manage commodity price risk.

Physical Delivery Contracts

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

At June 30, 2023 the Corporation had the following physical delivery contract in place:

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

(1) Birchcliff sold AECO basis swap.

There were no physical delivery contracts entered into subsequent to June 30, 2023 to manage commodity price risk.

Interest Rate Risk

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

At June 30, 2023, Birchcliff had the following financial derivative contracts in place in order to manage interest rate risk:

Type of Contract	Index	Remaining Term[1]	Notional Amount ($million)	Fixed Rate (%)	Fair Value Asset ($000s)
Interest rate swap	One-month banker's acceptance – CDOR[2]	Jul. 1, 2023 – Mar. 1, 2024	350	2.215	**7,304**

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

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

At June 30, 2023, if the one-month banker's acceptance CDOR index changed by 0.10%, with all other variables held constant, after-tax net income in the six months ended June 30, 2023 would have changed by approximately $0.2 million.

There were no financial derivative contracts entered into subsequent to June 30, 2023 to manage interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its P&NG sales. The Corporation had no long-term forward exchange rate contracts in place as at or during the period ended June 30, 2023.

13. INVESTMENTS

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

As at June 30, 2023, the Corporation determined the Securities had a fair value of $7.1 million (December 31, 2022 – $9.4 million). Birchcliff recorded a loss on investment of approximately $2.2 million during the six months ended June 30, 2023 compared to a gain on investment of $1.8 million during the six months ended June 30, 2022.

During the six months ended June 30, 2023, Birchcliff redeemed 138,669 Preferred Trust Units (June 30, 2022 – Nil) and 62,401 Common A Units (June 30, 2022 – Nil) for aggregate proceeds of approximately $0.1 million.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Jeff Tonken
Chief Executive Officer

Christopher Carlsen
President and Chief Operating Officer

Bruno Geremia
Executive Vice President and
Chief Financial Officer

Myles Bosman
Executive Vice President, Exploration

David Humphreys
Executive Vice President, Operations

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

Hue Tran
Vice President, Business Development and Marketing

Theo van der Werken
Vice President, Engineering

DIRECTORS

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

Dennis Dawson
Independent Lead Director
Calgary, Alberta

Debra Gerlach
Independent Director
Calgary, Alberta

Stacey McDonald
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

Gates Aurigemma
Manager, General Accounting

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Paul Messer
Manager of Information Technology

Tyler Murray
Mineral Land, Acquisitions and Dispositions Manager

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager, Human Resources and
Corporate Services

Jeff Rogers
Facilities Manager

Randy Rousson
Drilling and Completions Manager

Victor Sandhawalia
Manager of Finance

Daniel Sharp
Manager of Geology

Ryan Sloan
Health and Safety Manager

Duane Thompson
Production Manager

BANKERS

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

AUDITORS

KPMG LLP, Chartered Professional Accountants
Calgary, Alberta

RESERVES EVALUATOR

Deloitte LLP
Calgary, Alberta

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TRANSFER AGENT

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