BIRCHCLIFF ENERGY LTD. ANNOUNCES Q1 2024 RESULTS AND UPDATED GUIDANCE AND DECLARES Q2 2024 DIVIDEND

Calgary, Alberta (May 15, 2024) – Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") (TSX: BIR) is pleased to announce its Q1 2024 financial and operational results and updated guidance for 2024.

"We remain focused on strengthening our business and our capital efficiencies by continuously improving our well results and reducing our costs. We successfully executed our Q1 2024 capital program, drilling 11 wells and bringing five wells on production utilizing our latest completions design. The five wells brought on production in the quarter have exceeded our internal projections, with strong initial production rates that contributed to our solid quarterly average production of 75,402 boe/d. In Q1 2024, we also completed the drilling of a 4-well and 2-well pad in Gordondale, which targeted light oil and liquids-rich natural gas to benefit from strong liquids pricing. As a result of the outperformance of the wells brought on production year-to-date, we are adjusting our capital program for the balance of 2024 to remove two natural gas wells from our remaining 13-well program, while maintaining our previous 2024 production guidance of 74,000 to 77,000 boe/d. Some capital was allocated towards various strategic exploration-related investments in Q1 2024. In addition, we have reallocated capital to Q4 2024 in order to prepare us for the efficient execution of our 2025 capital program. As a result, we are maintaining our previous 2024 F&D capital expenditures guidance of $240 million to $260 million," commented Chris Carlsen, President and Chief Executive Officer of Birchcliff.

"Although natural gas prices are forecasted to remain challenged through the middle part of 2024, we remain bullish on the long-term outlook for natural gas and we expect prices to improve due to the anticipated increased demand from the start-up of various LNG projects in North America and gas-fired power generation. In the current commodity price environment, we are committed to maintaining a strong balance sheet, the development of our world-class Montney asset base and shareholder returns. In alignment with our commitment to maintain a strong balance sheet, we are continuing to target a total debt to forward annual adjusted funds flow ratio of less than 1.0 times in the long-term. We will continue to closely monitor commodity prices and will adjust our business and activities as required."

Q1 2024 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved average production of 75,402 boe/d (82% natural gas, 6% condensate, 10% NGLs and 2% light oil).
- Generated adjusted funds flow[(1)] of $66.1 million, or $0.25 per basic common share[(2)], and cash flow from operating activities of $65.3 million.
- Reported a net loss to common shareholders of $15.0 million, or $0.06 per basic common share.
- Total debt[(3)] at March 31, 2024 was $443.4 million.
- Birchcliff's market diversification contributed to an average realized natural gas sales price of $2.61/Mcf, which represented a 26% premium to the average benchmark AECO 7A Monthly Index price in Q1 2024.
- Birchcliff drilled 11 (11.0 net) wells and brought 5 (5.0 net) wells on production. F&D capital expenditures were $102.8 million in the quarter, which included unbudgeted strategic exploration-related investments.

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

- The wells brought on production at the Corporation's 5-well 04-30 pad in Pouce Coupe have shown strong initial production rates, with an average per well IP 30 rate of 1,615 boe/d (9,586 Mcf/d of raw natural gas and 18 bbls/d of condensate).[(4)]

Birchcliff's unaudited interim condensed financial statements for the three months ended March 31, 2024 and related management's discussion and analysis will be available on its website at www.birchcliffenergy.com and on SEDAR+ at www.sedarplus.ca.

DECLARATION OF Q2 2024 QUARTERLY DIVIDEND

- Birchcliff's board of directors (the "**Board**") has declared a quarterly cash dividend of $0.10 per common share for the quarter ending June 30, 2024.
- The dividend will be payable on June 28, 2024 to shareholders of record at the close of business on June 14, 2024. The ex-dividend date is June 13, 2024. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

EXTENSION OF CREDIT FACILITIES

- Subsequent to the end of Q1 2024, Birchcliff's syndicate of lenders completed its regular semi-annual review of the borrowing base limit under the Corporation's extendible revolving credit facilities (the "**Credit Facilities**").
- In connection therewith, the agreement governing the Credit Facilities was amended effective May 6, 2024 to extend the maturity dates of each of the syndicated extendible revolving term credit facility and the extendible revolving working capital facility from May 11, 2025 to May 11, 2027. In addition, the lenders confirmed the borrowing base limit at $850 million. The Credit Facilities do not contain any financial maintenance covenants.

ANNUAL MEETING OF SHAREHOLDERS

- Birchcliff's annual meeting of shareholders is scheduled to take place tomorrow, Thursday, May 16, 2024, at 3:00 p.m. (Mountain Daylight Time) in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

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

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

Q1 2024 UNAUDITED FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended March 31, 2024	Three months ended March 31, 2023
OPERATING		
Average production		
Light oil *(bbls/d)*	1,525	2,088
Condensate *(bbls/d)*	4,765	5,358
NGLs *(bbls/d)*	7,397	3,288
Natural gas *(Mcf/d)*	370,288	383,145
Total *(boe/d)*	**75,402**	**74,592**
Average realized sales prices *(CDN$)*(1)		
Light oil *(per bbl)*	95.24	105.69
Condensate *(per bbl)*	100.26	105.88
NGLs *(per bbl)*	27.59	36.69
Natural gas *(per Mcf)*	2.61	3.68
Total *(per boe)*	**23.80**	**31.07**
NETBACK AND COST *($/boe)*		
Petroleum and natural gas revenue(1)	23.80	31.08
Royalty expense	(2.11)	(4.37)
Operating expense	(3.85)	(3.95)
Transportation and other expense(2)	(4.99)	(5.31)
Operating netback(2)	**12.85**	**17.45**
G&A expense, net	(1.28)	(1.41)
Interest expense	(1.13)	(0.47)
Realized loss on financial instruments	(0.82)	(2.36)
Other cash income	0.01	0.01
Adjusted funds flow(2)	**9.63**	**13.22**
Depletion and depreciation expense	(8.56)	(8.26)
Unrealized loss on financial instruments	(3.28)	(12.43)
Other expenses(3)	(0.52)	(0.56)
Deferred income tax recovery	0.54	1.69
Net loss to common shareholders	**(2.19)**	**(6.34)**
FINANCIAL		
Petroleum and natural gas revenue *($000s)*(1)	163,304	208,647
Cash flow from operating activities *($000s)*	65,255	111,330
Adjusted funds flow *($000s)*(4)	66,081	88,737
Per basic common share *($)*(2)	0.25	0.33
Free funds flow *($000s)*(4)	(36,692)	(26,302)
Per basic common share *($)*(2)	(0.14)	(0.10)
Net loss to common shareholders *($000s)*	(15,035)	(42,548)
Per basic common share *($)*	(0.06)	(0.16)
End of period basic common shares *(000s)*	268,578	266,987
Weighted average basic common shares *(000s)*	267,905	266,447
Dividends on common shares *($000s)*	26,857	53,392
F&D capital expenditures *($000s)*(5)	102,773	115,039
Total capital expenditures *($000s)*(4)	103,484	115,659
Revolving term credit facilities *($000s)*	428,566	191,426
Total debt *($000s)*(6)	443,380	217,927

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

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

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

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

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

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

OUTLOOK AND GUIDANCE

Updated 2024 Capital Program

- Birchcliff made the strategic decision earlier in the year to delay the drilling of 13 (13.0 net) wells until late Q2 and into Q3 2024 in order to provide it with the flexibility to further adjust its 2024 capital program. Following a comprehensive review of its program, Birchcliff has made the following adjustments:
  - Removed 2 (2.0 net) natural gas wells from its drilling program that were originally scheduled to be drilled in Q2 2024 and brought on production in Q4 2024. Birchcliff now plans to bring on production a total of 27 (27.0 net) wells in 2024 (previously 29 (29.0 net) wells). See *"Operational Update".*
  - Notwithstanding the removal of these two wells, Birchcliff is maintaining its previous production guidance for 2024 at 74,000 to 77,000 boe/d as a result of the outperformance of the 10 wells brought on production year-to-date.
  - In order to prepare for the efficient execution of its 2025 capital program, Birchcliff plans to complete the drilling of 2 (2.0 net) wells in Q4 2024. These wells are planned to be brought on production in Q1 2025, when natural gas prices are forecast to be higher. Capital will also be allocated towards the drilling of various surface holes, pad-site construction and other activities in preparation for the 2025 capital program. Birchcliff expects to invest approximately $10.0 million in Q4 2024 in connection with such activities. In Q1 2024, the Corporation also allocated capital towards various strategic exploration-related investments. As a result, the Corporation is maintaining its previous 2024 F&D capital expenditures guidance of $240 million to $260 million.
- Birchcliff is continuing to monitor potential drought conditions in Alberta. The Corporation has the necessary water storage and infrastructure in place to allow it to execute on the remainder of its 2024 capital program.
- In the second half of the year, Birchcliff will continue to evaluate further investment in Elmworth that is not currently contemplated in its 2024 capital program in order to protect, optimize and further its long-term development strategy of this asset.

Updated 2024 Guidance

- As noted above, Birchcliff is maintaining its 2024 annual average production guidance of 74,000 to 77,000 boe/d and its 2024 F&D capital expenditures guidance of $240 million to $260 million.
- The Corporation is lowering its 2024 guidance for adjusted funds flow and free funds flow to reflect a lower commodity price forecast for natural gas in 2024, as well as its Q1 2024 results.
- Lower anticipated adjusted funds flow in 2024 is expected to result in higher total debt at year-end 2024 than previously forecast.
- The Corporation is lowering its 2024 guidance for transportation and other expense per boe as a result of marketing gains recorded in Q1 2024.

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

	Updated 2024 guidance and assumptions – May 15, 2024[(1)]	Previous 2024 guidance and assumptions – January 17, 2024
Production		
Annual average production *(boe/d)*	74,000 – 77,000	74,000 – 77,000
% Light oil	3%	3%
% Condensate	6%	6%
% NGLs	10%	10%
% Natural gas	81%	81%
Average Expenses *($/boe)*		
Royalty	2.30 – 2.50	2.30 – 2.50
Operating	3.85 – 4.05	3.85 – 4.05
Transportation and other[(2)]	5.30 – 5.50	5.50 – 5.70
Adjusted Funds Flow *(millions)*[(3)]	$270	$340
F&D Capital Expenditures *(millions)*	$240 – $260	$240 – $260
Free Funds Flow *(millions)*[(3)]	$10 – $30	$80 – $100
Annual Base Dividend *(millions)*	$107[(4)]	$107
Total Debt at Year End *(millions)*[(5)]	$465 – $485	$405 – $425
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	17%[(6)]	17%
Dawn exposure as a % of total natural gas production	44%[(6)]	44%
NYMEX HH exposure as a % of total natural gas production	37%[(6)]	37%
Alliance exposure as a % of total natural gas production	2%[(6)]	2%
Commodity Prices		
Average WTI price *(US$/bbl)*	82.50[(7)]	75.00
Average WTI-MSW differential *(CDN$/bbl)*	6.00[(7)]	5.45
Average AECO price *(CDN$/GJ)*	2.05[(7)]	2.50
Average Dawn price *(US$/MMBtu)*	2.15[(7)]	2.80
Average NYMEX HH price *(US$/MMBtu)*	2.40[(7)]	3.00
Exchange rate *(CDN$ to US$1)*	1.36[(7)]	1.33

Forward eight months' free funds flow sensitivity[(7)(8)]	**Estimated change to 2024 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$2.4
Change in NYMEX HH US$0.10/MMBtu	$4.4
Change in Dawn US$0.10/MMBtu	$5.4
Change in AECO CDN$0.10/GJ	$1.2
Change in CDN/US exchange rate CDN$0.01	$2.8

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2024 is based on an annual average production rate of 75,500 boe/d in 2024, which is the mid-point of Birchcliff's annual average production guidance range for 2024. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"*.

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

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

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

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

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

(7) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2024 are based on anticipated full-year averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2024 to April 30, 2024.

(8) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2024, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

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

Q1 2024 FINANCIAL AND OPERATIONAL RESULTS

Production

- Birchcliff's production averaged 75,402 boe/d in Q1 2024, a 1% increase from Q1 2023. The increase was primarily as a result of the strong performance of the Corporation's capital program and the successful drilling of new Montney/Doig wells brought on production since Q1 2023, including Birchcliff's new 5-well 04-30 pad brought on production in Pouce Coupe in Q1 2024. Production was also positively impacted by higher NGLs production in Q1 2024, partially offset by natural production declines. Birchcliff's NGLs production in Q1 2023 was negatively impacted by an unplanned system outage on Pembina's Northern Pipeline system (the "**Pembina Outage**"), which reduced the Corporation's NGLs sales volumes in that period.
- Liquids accounted for 18% of Birchcliff's total production in Q1 2024 as compared to 14% in Q1 2023. The increase was primarily due to higher NGLs production in Q1 2024. Birchcliff's liquids production weighting in Q1 2023 was negatively impacted by the Pembina Outage, which reduced the Corporation's NGLs sales volumes in that period.

Adjusted Funds Flow and Cash Flow From Operating Activities

- Birchcliff's adjusted funds flow was $66.1 million in Q1 2024, or $0.25 per basic common share, a 26% and 24% decrease, respectively, from Q1 2023.
- Birchcliff's cash flow from operating activities was $65.3 million in Q1 2024, a 41% decrease from Q1 2023.
- The decreases were primarily due to lower natural gas revenue, which was largely impacted by a 29% decrease in the average realized sales price Birchcliff received for its natural gas production in Q1 2024 as compared to Q1 2023. The decreases were partially offset by a lower realized loss on financial instruments and a decrease in royalty expense in Q1 2024 as compared to Q1 2023.

Net Loss to Common Shareholders

- Birchcliff reported a net loss to common shareholders of $15.0 million in Q1 2024, or $0.06 per basic common share, as compared to a net loss to common shareholders of $42.5 million and $0.16 per basic common share in Q1 2023.
- The lower net loss to common shareholders was primarily due to a lower unrealized loss on financial instruments of $22.5 million in Q1 2024 as compared to $83.4 million in Q1 2023, partially offset by lower adjusted funds flow.

Debt and Credit Facilities

- Total debt at March 31, 2024 was $443.4 million, a 103% increase from March 31, 2023.
- At March 31, 2024, Birchcliff had a balance outstanding under its Credit Facilities of $430.2 million (March 31, 2023: $194.7 million) from available Credit Facilities of $850.0 million (March 31, 2023: $850.0 million), leaving the Corporation with $419.8 million (49%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees.

Natural Gas Market Diversification

- Birchcliff's physical natural gas sales exposure consists of the AECO, Dawn and Alliance markets. In addition, the Corporation has various financial instruments outstanding that provide it with exposure to NYMEX HH pricing.

The following table sets forth Birchcliff's effective sales, production and average realized sales price for natural gas and liquids for Q1 2024, after taking into account the Corporation's financial instruments:

Three months ended March 31, 2024						
	Effective sales *(CDN$000s)*	Percentage of total sales *(%)*	Effective production *(per day)*	Percentage of total natural gas production *(%)*	Percentage of total corporate production *(%)*	Effective average realized sales price *(CDN$)*
Market						
AECO[(1)(2)]	15,958	9	72,565 Mcf	19	16	2.42/Mcf
Dawn[(3)]	45,198	26	161,667 Mcf	44	36	3.07/Mcf
NYMEX HH[(1)(4)]	39,715	22	136,056 Mcf	37	30	3.21/Mcf
Total natural gas[(1)]	**100,871**	**57**	**370,288 Mcf**	**100**	**82**	**2.99/Mcf**
Light oil	13,219	7	1,525 bbls		2	95.24/bbl
Condensate	43,477	25	4,765 bbls		6	100.26/bbl
NGLs	18,568	11	7,397 bbls		10	27.59/bbl
Total liquids	**75,264**	**43**	**13,687 bbls**		**18**	**60.43/bbl**
Total corporate[(1)]	**176,135**	**100**	**75,402 boe**		**100**	**25.67/boe**

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

(2) Birchcliff has short-term physical sales agreements with third-party marketers to sell and deliver into the Alliance pipeline system. All of Birchcliff's short-term physical Alliance sales and production during Q1 2024 received AECO premium pricing and have therefore been included as effective sales and production in the AECO market.

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

(4) NYMEX HH sales and production include financial NYMEX HH/AECO 7A basis swap contracts for an aggregate of 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.12/MMBtu during Q1 2024.

Birchcliff's effective average realized sales price for NYMEX HH of CDN$3.21/Mcf (US$2.19/MMBtu) was determined on a gross basis before giving effect to the average NYMEX HH/AECO 7A fixed contract basis differential price of CDN$1.64/Mcf (US$1.12/MMBtu) and includes any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q1 2024.

After giving effect to the NYMEX HH/AECO 7A fixed contract basis differential price and including any realized gains and losses on financial NYMEX HH/AECO 7A basis swap contracts during Q1 2024, Birchcliff's effective average realized net sales price for NYMEX HH was CDN$1.57/Mcf (US$1.07/MMBtu) in Q1 2024.

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

Three months ended March 31, 2024							
Natural gas market	**Natural gas sales**[(1)] *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price**[(1)] *(CDN$/Mcf)*	**Natural gas transportation costs**[(2)] *(CDN$/Mcf)*	**Natural gas sales netback**[(3)] *(CDN$/Mcf)*
AECO	38,639	44	195,141	53	2.19	0.40	1.79
Dawn	45,198	51	161,667	44	3.07	1.41	1.66
Alliance[(4)]	4,185	5	13,480	3	3.41	-	3.41
Total	**88,022**	**100**	**370,288**	**100**	**2.61**	**0.83**	**1.78**
Three months ended March 31, 2023							
Natural gas market	**Natural gas sales**[(1)] *(CDN$000s)*	**Percentage of natural gas sales** *(%)*	**Natural gas production** *(Mcf/d)*	**Percentage of natural gas production** *(%)*	**Average realized natural gas sales price**[(1)] *(CDN$/Mcf)*	**Natural gas transportation costs**[(2)] *(CDN$/Mcf)*	**Natural gas sales netback**[(3)] *(CDN$/Mcf)*
AECO	66,352	52	210,309	55	3.53	0.45	3.08
Dawn	55,292	44	157,375	41	3.90	1.54	2.36
Alliance[(4)]	5,178	4	15,461	4	3.72	-	3.72
Total	**126,822**	**100**	**383,145**	**100**	**3.68**	**0.88**	**2.80**

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

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

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

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

Capital Activities and Investment

- In Q1 2024, Birchcliff drilled 11 (11.0 net) wells and brought 5 (5.0 net) wells on production, with F&D capital expenditures of $102.8 million.

The following table sets forth the wells that were drilled and brought on production in the quarter:

		Drilled	On production
Pouce Coupe			
	04-30 pad[(1)]	0	5
	16-17 pad	5	0
Gordondale			
	02-27 pad	2	0
	01-10 pad	4	0
	TOTAL	**11**	**5**

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

OPERATIONAL UPDATE

Updated Capital Program

- As previously discussed, Birchcliff removed 2 (2.0 net) wells from its drilling program that were originally scheduled to be drilled in Q2 2024 and brought on production in Q4 2024.
  - The Corporation had initially planned to drill and bring on production a 7-well pad in Pouce Coupe (5 Montney D1 wells and 2 Montney C wells). As a follow-up to the strong results achieved pursuant to the Corporation's drilling program year-to-date, Birchcliff has substituted the previously planned 7-well pad for its 5-well 10-22 pad in South West Pouce Coupe. This 5-well pad will target wells in the Lower Montney and is anticipated to be drilled in Q3 2024 and brought on production in Q4 2024.
  - In order to prepare for the efficient execution of its 2025 capital program, Birchcliff plans to complete the drilling of 2 (2.0 net) wells in Q4 2024 as part of a 5-well pad in Pouce Coupe (the 04-05 pad). These wells are planned to be drilled in the Lower Montney and brought on production in Q1 2025.
- Year-to-date, the Corporation has drilled 11 (11.0 net) wells and brought 10 (10.0 net) wells on production.

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

		Number of wells to be brought on production in 2024	Number of wells on production as at May 15, 2024	Number of wells to be drilled in 2024	Number of wells drilled as at May 15, 2024
Pouce Coupe					
04-30 (5-well pad)[(1)]	Montney D1	5	5	0[(2)]	0[(2)]
16-17 (5-well pad)[(1)]	BD/UM	1	0	1	1
	Montney D1	3	3	3	3
	Montney D4	1	0	1	1
16-15 (6-well pad)[(1)]	Montney D1	6	0	6	0
10-22 (5-well pad)[(1)]	Montney D1	5	0	5	0
04-05 (5-well pad)[(1)]	Montney D1	0[(3)]	0[(3)]	2	0
Gordondale					
02-27 (2-well pad)[(1)]	Montney D1	1	1	1	1
	Montney D2	1	1	1	1
01-10 (4-well pad)[(1)]	Montney D1	4	0	4	4
	TOTAL	**27**	**10**	**24**	**11**

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

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

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

Pouce Coupe

- Birchcliff completed the drilling of its 5-well 04-30 pad in December 2023. This pad was completed using the Corporation's latest completions design, which incorporated reduced stage spacing and increased proppant loading.
- Initial production and flowback operations commenced in late January 2024 and the wells were turned over to production through Birchcliff's permanent facilities in late February 2024. The pad was drilled in the Lower Montney targeting high-rate natural gas. The wells continue to show strong production rates exhibiting low declines as highlighted in the table below, which summarizes the aggregate and average production rates for the wells from the pad:

5-Well 04-30 Pad IP Rates

	Wells: IP 30(1)	Wells: IP 60(1)
Aggregate production rate *(boe/d)*	**8,076**	**7,469**
Aggregate natural gas production rate *(Mcf/d)*	47,928	44,385
Aggregate condensate production rate *(bbls/d)*	88	71
Average per well production rate *(boe/d)*	**1,615**	**1,538**
Average per well natural gas production rate *(Mcf/d)*	9,586	8,877
Average per well condensate production rate *(bbls/d)*	18	14
Condensate-to-gas ratio *(bbls/MMcf)*	**1.8**	**1.6**

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

- Birchcliff completed the drilling of its 5-well 16-17 pad in February 2024. Three of the wells were turned over to production through Birchcliff's permanent facilities in April 2024 and the remaining two wells are expected to be turned over to production in late May 2024. The pad targeted condensate-rich natural gas, with three wells in the Lower Montney and two wells in the Upper Montney. As the wells on these pads have not yet produced for over 60 days, Birchcliff anticipates providing further details regarding the results of these wells with the release of its Q2 2024 results.
- Birchcliff expects to commence the drilling of its 6-well 16-15 pad in Q3 2024, with the pad expected to be brought on production in Q4 2024. This pad will target wells in the Lower Montney.

Gordondale

- Birchcliff completed the drilling of its 2-well 02-27 pad in March 2024 and the wells were turned over to production through Birchcliff's permanent facilities in late April 2024. This pad targeted liquids-rich natural gas wells in the Lower Montney.
- Birchcliff completed the drilling of its 4-well 01-10 pad in March 2024. Flowback operations have commenced and the wells are expected to be turned over to production in late May 2024. This pad targeted light oil wells in the Lower Montney.
- Birchcliff anticipates providing the results of these wells with the release of its Q2 2024 results.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

Adjusted Funds Flow and Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures, retirement benefit payments and changes in non-cash operating working capital. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period to period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Birchcliff eliminates retirement benefit payments from cash flow from operating activities as such payments reflect costs for past service and contributions made by eligible executives under the Corporation's post-employment benefit plan, which are not indicative of the current period. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, buy back common shares and pay dividends.

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

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

	Three months ended March 31,		**Twelve months ended December 31,**
($000s)	**2024**	**2023**	**2023**
Cash flow from operating activities	**65,255**	**111,330**	**320,529**
Change in non-cash operating working capital	(13,163)	(22,967)	(19,477)
Decommissioning expenditures	138	374	3,775
Retirement benefit payments	13,851	-	2,000
Adjusted funds flow	**66,081**	**88,737**	**306,827**
F&D capital expenditures	(102,773)	(115,039)	(304,637)
Free funds flow	**(36,692)**	**(26,302)**	**2,190**

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

Transportation and Other Expense

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

	Three months ended March 31,		**Twelve months ended December 31,**
($000s)	**2024**	**2023**	**2023**
Transportation expense	**36,625**	**34,517**	**152,828**
Marketing purchases	7,111	10,625	34,772
Marketing revenue	(9,468)	(9,438)	(30,521)
Transportation and other expense	**34,268**	**35,704**	**157,079**

Operating Netback

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

Three months ended, *($000s)*	**March 31, 2024**	**March 31, 2023**
P&NG revenue	163,304	208,647
Royalty expense	(14,467)	(29,308)
Operating expense	(26,427)	(26,502)
Transportation and other expense	(34,268)	(35,704)
Operating netback	**88,142**	**117,133**

Total Capital Expenditures

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

Three months ended, *($000s)*	**March 31, 2024**	**March 31, 2023**
Exploration and development expenditures[(1)]	**102,773**	**115,039**
Dispositions	(109)	-
Administrative assets	820	620
Total capital expenditures	**103,484**	**115,659**

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

Three months ended, *($000s)*	**March 31, 2024**	**March 31, 2023**
Natural gas sales	**88,022**	**126,822**
Realized loss on financial instruments	(5,628)	(15,811)
Notional fixed basis costs[(1)]	18,477	20,515
Effective total natural gas sales	**100,871**	**131,526**
Light oil sales	13,219	19,862
Condensate sales	43,477	51,062
NGLs sales	18,568	10,855
Effective total corporate sales	**176,135**	**213,305**

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

Non-GAAP Ratios

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

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

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

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

Free Funds Flow Per Basic Common Share

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

Transportation and Other Expense Per Boe

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

Operating Netback Per Boe

Birchcliff calculates “operating netback per boe” as aggregate operating netback in the period divided by the production (boe) in the period. Operating netback per boe is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. Management believes that operating netback per boe assists management and investors in assessing Birchcliff’s operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

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

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

Capital Management Measures

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

Total Debt

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

As at, *($000s)*	March 31, 2024	December 31, 2023	March 31, 2023
Revolving term credit facilities	**428,566**	**372,097**	**191,426**
Working capital deficit (surplus)[(1)]	34,261	13,084	60,729
Fair value of financial instruments – asset[(2)]	240	3,588	7,585
Fair value of financial instruments – liability[(2)]	(14,550)	(1,394)	(27,942)
Other liabilities[(2)]	(5,137)	(5,069)	(13,871)
Total debt	**443,380**	**382,306**	**217,927**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

All financial and operational information contained in this press release for the three months ended March 31, 2024 and 2023 is unaudited.

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

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

Production

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

Initial Production Rates

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

With respect to the production rates for the Corporation’s 5-well 04-30 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 5-well pad and then divided by 5 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 Birchcliff remains focused on strengthening its business and its capital efficiencies by continuously improving its well results and reducing its costs; that although natural gas prices are forecasted to remain challenged through the middle part of 2024, the Corporation remains bullish on the long-term outlook for natural gas; that Birchcliff expects prices to improve due to the anticipated increased demand from the start-up of various LNG projects in North America and gas-fired power generation; that in the current commodity price environment, the Corporation is committed to maintaining a strong balance sheet, the development of its world-class Montney asset base and shareholder returns; that in alignment with its commitment to maintain a strong balance sheet, the Corporation is continuing to target a total debt to forward annual adjusted funds flow ratio of less than 1.0 times in the long-term; and that the Corporation will continue to closely monitor commodity prices and will adjust its business and activities as required;
- the information set forth under the heading *"Outlook and Guidance"* and elsewhere in this press release as it relates to Birchcliff's outlook and guidance, including: forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, total debt at year end and natural gas market exposure in 2024; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2024; and that lower anticipated adjusted funds flow in 2024 is expected to result in higher total debt at year-end 2024 than previously forecast;
- the information set forth under the headings *"Outlook and Guidance"* and "*Operational Update*" and elsewhere in this press release as it relates to Birchcliff's 2024 capital program and its exploration, production and development activities and the timing thereof, including: estimates of F&D capital expenditures and statements regarding capital allocation; the anticipated number, types and timing of wells and pads to be drilled and brought on production and targeted product types; that as a result of the outperformance of the wells brought on production year-to-date, the Corporation is adjusting its capital program for the balance of 2024 to remove two natural gas wells from its remaining 13-well program, while maintaining its previous 2024 production guidance of 74,000 to 77,000 boe/d; that capital has been reallocated to Q4 2024 to prepare for the efficient execution of the Corporation's 2025 capital program; that in order to prepare for the efficient execution of its 2025 capital program, Birchcliff plans to complete the drilling of 2 (2.0 net) wells in Q4 2024; that these wells are planned to be brought on production in Q1 2025, when natural gas prices are forecast to be higher; that capital will also be allocated towards the drilling of various surface holes, pad-site construction and other activities in preparation for the 2025 capital program; that Birchcliff expects to invest approximately $10.0 million in Q4 2024 in connection with such activities; that the Corporation has the necessary water storage and infrastructure in place to allow it to execute on the remainder of its 2024 capital program; that in the second half of the year, Birchcliff will continue to evaluate further investment in Elmworth that is not currently contemplated in its 2024 capital program in order to protect, optimize and further its long-term development strategy of this asset; and that Birchcliff anticipates providing further details regarding the results of its 16-17, 02-27 and 01-10 pads with the release of its Q2 2024 results;
- 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 measure for adjusted funds flow to be lower than its historical amount primarily due to lower anticipated benchmark natural gas prices and that Birchcliff anticipates the forward-looking non-GAAP financial measure for free funds flow to be higher than its historical amount primarily due to lower anticipated F&D capital expenditures.

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 2024 guidance (as updated on May 15, 2024), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Outlook and Guidance – Updated 2024 Guidance"*. In addition:
  - Birchcliff's production guidance assumes that: the 2024 capital program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
  - Birchcliff's forecast of F&D capital expenditures assumes that the 2024 capital program will be carried out as currently contemplated and excludes any potential acquisitions, dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and materials.
  - Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2024 capital program will be carried out as currently contemplated and the level of capital spending for 2024 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its financial basis swap contracts outstanding as at May 3, 2024 and excludes cash incentive payments that have not been approved by the Board.
  - Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow and free funds flow are achieved, with the level of capital spending for 2024 met and the payment of an annual base dividend of approximately $107 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no buybacks of common shares during 2024; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2024; (v) there are no equity issuances during 2024; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2024. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.
  - Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 147,500 MMBtu/d being contracted on a financial basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.12/MMBtu; and (iii) 9,045 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its financial basis swap contracts outstanding as at May 3, 2024.
- With respect to statements regarding future wells to be drilled and brought on production, such statements assume: the continuing validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a

result of drilling future wells; and that commodity prices and general economic conditions will warrant proceeding with the drilling of such wells.

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics, epidemics and global conflict (including the Russian invasion of Ukraine and the Israel-Hamas conflict) and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; 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); 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 Birchcliff's results of operations, financial performance or financial results are included in Birchcliff's annual information form and annual management's discussion and analysis for the financial year ended December 31, 2023 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

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

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

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

ABOUT BIRCHCLIFF:

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

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Chris Carlsen – President and Chief Executive Officer

Bruno Geremia – Executive Vice President and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

This Management's Discussion and Analysis ("**MD&A**") for Birchcliff Energy Ltd. ("**Birchcliff**" or the "**Corporation**") dated May 15, 2024 is with respect to the three months ended March 31, 2024 (the "**Reporting Period**") as compared to the three months ended March 31, 2023 (the "**Comparable Prior Period**"). This MD&A has been prepared by management and approved by the Corporation's audit committee and board of directors (the "**Board**") and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the Reporting Period (the "**financial statements**") and the annual audited financial statements of the Corporation and related notes for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards. All dollar amounts are expressed in Canadian currency, unless otherwise stated.

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

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

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

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.

ABOUT BIRCHCLIFF

Birchcliff is a dividend-paying, intermediate oil and natural gas company based in Calgary, Alberta with operations focused on the Montney/Doig Resource Play in Alberta. Birchcliff's common shares are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "BIR". Additional information relating to the Corporation, including its Annual Information Form for the financial year ended December 31, 2023 (the "**AIF**"), is available on the SEDAR+ website at www.sedarplus.ca and on the Corporation's website at www.birchcliffenergy.com.

Q1 2024 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Achieved average production of 75,402 boe/d (82% natural gas, 6% condensate, 10% NGLs and 2% light oil).
- Generated adjusted funds flow(1) of $66.1 million, or $0.25 per basic common share(2), and cash flow from operating activities of $65.3 million.
- Reported a net loss to common shareholders of $15.0 million, or $0.06 per basic common share.
- Total debt(3) at March 31, 2024 was $443.4 million.
- Birchcliff's market diversification contributed to an average realized natural gas sales price of $2.61/Mcf, which represented a 26% premium to the average benchmark AECO 7A Monthly Index price in the Reporting Period.
- Birchcliff drilled 11 (11.0 net) wells and brought 5 (5.0 net) wells on production. F&D capital expenditures were $102.8 million in the Reporting Period, which included unbudgeted strategic exploration-related investments.

UPDATED 2024 OUTLOOK AND GUIDANCE

- Birchcliff is maintaining its 2024 annual average production guidance of 74,000 to 77,000 boe/d and its 2024 F&D capital expenditures guidance of $240 million to $260 million.
- The Corporation is lowering its 2024 guidance for adjusted funds flow and free funds flow to reflect a lower commodity price forecast for natural gas in 2024, as well as its results in the Reporting Period.
- Lower anticipated adjusted funds flow in 2024 is expected to result in higher total debt at year-end 2024 than previously forecast.
- The Corporation is lowering its 2024 guidance for transportation and other expense per boe as a result of marketing gains recorded in the Reporting Period.

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

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

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

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

	Updated 2024 guidance and assumptions – May 15, 2024[(1)]	Previous 2024 guidance and assumptions – January 17, 2024
Production		
Annual average production *(boe/d)*	74,000 – 77,000	74,000 – 77,000
% Light oil	3%	3%
% Condensate	6%	6%
% NGLs	10%	10%
% Natural gas	81%	81%
Average Expenses *($/boe)*		
Royalty	2.30 – 2.50	2.30 – 2.50
Operating	3.85 – 4.05	3.85 – 4.05
Transportation and other[(2)]	5.30 – 5.50	5.50 – 5.70
Adjusted Funds Flow *(millions)*[(3)]	$270	$340
F&D Capital Expenditures *(millions)*	$240 – $260	$240 – $260
Free Funds Flow *(millions)*[(3)]	$10 – $30	$80 – $100
Annual Base Dividend *(millions)*	$107[(4)]	$107
Total Debt at Year End *(millions)*[(5)]	$465 – $485	$405 – $425
Natural Gas Market Exposure		
AECO exposure as a % of total natural gas production	17%[(6)]	17%
Dawn exposure as a % of total natural gas production	44%[(6)]	44%
NYMEX HH exposure as a % of total natural gas production	37%[(6)]	37%
Alliance exposure as a % of total natural gas production	2%[(6)]	2%
Commodity Prices		
Average WTI price *(US$/bbl)*	82.50[(7)]	75.00
Average WTI-MSW differential *(CDN$/bbl)*	6.00[(7)]	5.45
Average AECO price *(CDN$/GJ)*	2.05[(7)]	2.50
Average Dawn price *(US$/MMBtu)*	2.15[(7)]	2.80
Average NYMEX HH price *(US$/MMBtu)*	2.40[(7)]	3.00
Exchange rate *(CDN$ to US$1)*	1.36[(7)]	1.33

Forward eight months' free funds flow sensitivity[(7)(8)]	**Estimated change to 2024 free funds flow** *(millions)*
Change in WTI US$1.00/bbl	$2.4
Change in NYMEX HH US$0.10/MMBtu	$4.4
Change in Dawn US$0.10/MMBtu	$5.4
Change in AECO CDN$0.10/GJ	$1.2
Change in CDN/US exchange rate CDN$0.01	$2.8

(1) Birchcliff's guidance for its production commodity mix, adjusted funds flow, free funds flow, total debt and natural gas market exposure in 2024 is based on an annual average production rate of 75,500 boe/d in 2024, which is the mid-point of Birchcliff's annual average production guidance range for 2024. For further information regarding the risks and assumptions relating to the Corporation's guidance, see *"Advisories – Forward-Looking Statements"* in this MD&A.

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

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

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

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

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

(7) Birchcliff's updated commodity price and exchange rate assumptions and free funds flow sensitivity for 2024 are based on anticipated full-year averages, which include settled benchmark commodity prices and the CDN/US exchange rate for the period from January 1, 2024 to April 30, 2024.

(8) Illustrates the expected impact of changes in commodity prices and the CDN/US exchange rate on the Corporation's updated forecast of free funds flow for 2024, holding all other variables constant. The sensitivity is based on the updated commodity price and exchange rate assumptions set forth in the table above. The calculated impact on free funds flow is only applicable within the limited range of change indicated. Calculations are performed independently and may not be indicative of actual results. Actual results may vary materially when multiple variables change at the same time and/or when the magnitude of the change increases.

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

CASH FLOW FROM OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Cash flow from operating activities *($000s)*	**65,255**	**111,330**	**(41)**
Adjusted funds flow *($000s)*(1)	**66,081**	**88,737**	**(26)**
Per basic common share *($)*(2)	0.25	0.33	(24)
Per diluted common share *($)*(2)	0.25	0.33	(24)
Per boe *($)*(2)	9.63	13.22	(27)

(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 and adjusted funds flow decreased by 41% and 26% from the Comparable Prior Period, respectively. The decreases were primarily due to lower natural gas revenue, which was largely impacted by a 29% decrease in the average realized sales price Birchcliff received for its natural gas production in the Reporting Period as compared to the Comparable Prior Period. The decreases were partially offset by a lower realized loss on financial instruments and a decrease in royalty expense in the Reporting Period as compared to the Comparable Prior Period.

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

NET LOSS TO COMMON SHAREHOLDERS

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Net loss to common shareholders *($000s)*	**15,035**	**42,548**	**(65)**
Per basic common share *($)*	0.06	0.16	(63)
Per diluted common share *($)*	0.06	0.16	(63)
Per boe *($)*	2.19	6.34	(65)

Birchcliff reported a net loss to common shareholders of $15.0 million in the Reporting Period as compared to $42.5 million in the Comparable Prior Period. The lower net loss to common shareholders was primarily due to a lower unrealized loss on financial instruments of $22.5 million in the Reporting Period as compared to $83.4 million in the Comparable Prior Period, partially offset by lower adjusted funds flow.

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

DISCUSSION OF OPERATIONS

Petroleum and Natural Gas Revenue

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

Three months ended, *($000s)*	March 31, 2024	March 31, 2023	% Change
Light oil	13,219	19,862	(33)
Condensate	43,477	51,062	(15)
NGLs	18,568	10,855	71
Natural gas	88,022	126,822	(31)
P&NG sales(1)	163,286	208,601	(22)
Royalty income	18	46	(61)
P&NG revenue(1)	**163,304**	**208,647**	**(22)**

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

P&NG revenue decreased by 22% from the Comparable Prior Period primarily due to a 31% decrease in natural gas revenue in the Reporting Period, which largely resulted from a lower average realized sale price received for Birchcliff's natural gas production in the Reporting Period.

P&NG revenue was also negatively impacted by a decrease in both the Corporation's production volumes and average realized sales prices for its light oil and condensate in the Reporting Period and positively impacted by an increase in NGLs production in the Reporting Period. NGLs production in the Comparable Prior Period was negatively impacted by an unplanned system outage on Pembina's Northern Pipeline system (the "**Pembina Outage**"), which reduced the Corporation's NGLs sales volumes during that period.

Production

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Light oil *(bbls/d)*	1,525	2,088	(27)
Condensate *(bbls/d)*	4,765	5,358	(11)
NGLs *(bbls/d)*	7,397	3,288	125
Natural gas *(Mcf/d)*	370,288	383,145	(3)
Production *(boe/d)*	**75,402**	**74,592**	**1**
Liquids-to-gas ratio *(bbls/MMcf)*	**37.0**	**28.0**	**32**

Birchcliff's production increased by 1% from the Comparable Prior Period. The increase was primarily as a result of the strong performance of the Corporation's capital program and the successful drilling of new Montney/Doig wells brought on production since the Comparable Prior Period, including Birchcliff's new 5-well 04-30 pad brought on production in Pouce Coupe in the Reporting Period. Production was also positively impacted by higher NGLs production in the Reporting Period and negatively impacted by natural production declines.

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

Three months ended,	March 31, 2024	March 31, 2023
% Light oil production	2	3
% Condensate production	6	7
% NGLs production	10	4
% Natural gas production	82	86

Liquids accounted for 18% of Birchcliff's total production in the Reporting Period as compared to 14% in the Comparable Prior Period. The increase was primarily due to higher NGLs production in the Reporting Period. Birchcliff's liquids production weighting in the Comparable Prior Period was negatively impacted by the Pembina Outage, which reduced NGLs sales volumes in that period.

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,	March 31, 2024	March 31, 2023	% Change
Light oil – WTI Cushing *(US$/bbl)*	76.96	76.09	1
Light oil – MSW (Mixed Sweet) *(CDN$/bbl)*	92.24	99.11	(7)
Natural gas – NYMEX HH *(US$/MMBtu)*	2.24	3.42	(35)
Natural gas – AECO 5A Daily *(CDN$/GJ)*	2.36	3.05	(23)
Natural gas – AECO 7A Month Ahead *(US$/MMBtu)*	1.53	3.21	(52)
Natural gas – Dawn Day Ahead *(US$/MMBtu)*	2.26	2.72	(17)
Natural gas – ATP 5A Day Ahead *(CDN$/GJ)*	2.60	2.88	(10)
Exchange rate *(CDN$ to US$1)*	1.3498	1.3533	-
Exchange rate *(US$ to CDN$1)*	0.7409	0.7389	-

Birchcliff physically sells substantially all of its natural gas production based on the AECO and Dawn benchmark prices. Birchcliff has agreements for the firm service transportation of an aggregate of 175,000 GJ/d of natural gas on TCPL's Canadian Mainline, whereby natural gas is transported to the Dawn trading hub in Southern Ontario, with the first tranche of this service (120,000 GJ/d) expiring on October 31, 2027, the second tranche of this service (30,000 GJ/d) expiring on October 31, 2028 and the third tranche of this service (25,000 GJ/d) expiring on October 31, 2029. In addition, the Corporation has diversified a portion of its AECO production to NYMEX HH-based pricing, on a financial basis, with various terms ending no later than December 31, 2027. Birchcliff had financial NYMEX HH/AECO 7A basis swap contracts for 147,500 MMBtu/d at an average contract price of NYMEX HH less US$1.120/MMBtu during the Reporting Period and US$1.227/MMBtu during the Comparable Prior Period. Natural gas benchmark prices deteriorated significantly in the Reporting Period as compared to the Comparable Prior Period largely due to higher-than-average natural gas storage inventories as a result of a mild winter, coupled with strong supply in North America.

Birchcliff physically sells substantially all of its liquids production based on the MSW benchmark oil price, which generally trades at a discount to the WTI benchmark oil price. The MSW benchmark oil price was negatively impacted in the Reporting Period by continued global recession concerns and a higher interest rate environment to combat inflation and positively impacted by a risk premium on crude oil, which resulted from supply concerns arising from geopolitical conflicts worldwide and 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 or loss 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 the Corporation's natural gas production.

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

Three months ended,	**March 31, 2024**	**March 31, 2023**	**% Change**
Light oil *($/bbl)*	95.24	105.69	(10)
Condensate *($/bbl)*	100.26	105.88	(5)
NGLs *($/bbl)*	27.59	36.69	(25)
Natural gas *($/Mcf)*	2.61	3.68	(29)
Average realized sales price *($/boe)*[(1)]	**23.80**	**31.07**	**(23)**

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

The Corporation's average realized sales price decreased by 23% from the Comparable Prior Period primarily due to a lower MSW benchmark oil price and lower benchmark natural gas prices, which negatively impacted the Corporation's P&NG revenue in the Reporting Period. Birchcliff is fully exposed to increases and decreases in benchmark commodity prices as it has no fixed price commodity hedges in place.

Natural Gas Sales, Production and Average Realized Sales Price by Market

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

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

	Three months ended March 31, 2024					**Three months ended March 31, 2023**				
Natural gas market	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]	**Natural gas sales** *($000s)*[(1)]	*(%)*	**Natural gas production** *(Mcf/d)*	*(%)*	**Average realized sales price** *($/Mcf)*[(1)]
AECO	38,639	44	195,141	53	2.19	66,352	52	210,309	55	3.53
Dawn	45,198	51	161,667	44	3.07	55,292	44	157,375	41	3.90
Alliance[(2)]	4,185	5	13,480	3	3.41	5,178	4	15,461	4	3.72
Total	**88,022**	**100**	**370,288**	**100**	**2.61**	**126,822**	**100**	**383,145**	**100**	**3.68**

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

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

The average realized sales price decreased by 38%, 21% and 8% in the AECO, Dawn and Alliance markets from the Comparable Prior Period, respectively, primarily due to lower benchmark natural gas prices in the Reporting Period.

Market Diversification and Risk Management

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

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

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can materially impact the Corporation's financial performance, operating results and financial position.

At March 31, 2024, the Corporation had the following financial derivative contracts in place to manage commodity price risk:

Product	Type of Contract	Average Notional Quantity	Period[(1)]	Average Contract Price
Natural gas	AECO 7A basis swap[(2)]	147,500 MMBtu/d	Apr. 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 March 31, 2024 to manage commodity price risk.

Realized Losses on Financial Instruments

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Realized loss *($000s)*	5,628	15,811	(64)
Realized loss *($/boe)*	0.82	2.36	(65)

Birchcliff recorded a realized loss on financial instruments of $5.6 million in the Reporting Period as compared to $15.8 million in the Comparable Prior Period.

Birchcliff's realized gains and losses on financial instruments are primarily impacted by the settlement of its NYMEX HH/AECO 7A basis swap contracts in the period. The Corporation records a realized gain on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price (the average spread between NYMEX HH and AECO 7A) of the contracted volumes is higher than the average contract price in the period. Conversely, the Corporation records a realized loss on its NYMEX HH/AECO 7A basis swap contracts when the average realized settlement price of the contracted volumes is lower than the average contract price in the period.

The average contract volume and price for Birchcliff's NYMEX HH/AECO 7A basis swap contracts were 147,500 MMBtu/d and US$1.120/MMBtu, respectively, during the Reporting Period and 147,500 MMBtu/d and US$1.227/MMBtu, respectively, during the Comparable Prior Period. The average realized settlement price of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the Reporting Period was US$0.71/MMBtu as compared to US$0.22/MMBtu during the Comparable Prior Period.

Unrealized Losses on Financial Instruments

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Unrealized loss *($000s)*	22,524	83,432	(73)
Unrealized loss *($/boe)*	3.28	12.43	(74)

Birchcliff's unrealized gains and losses on financial instruments are impacted by changes in the net fair value of its financial contracts at the end of the current reporting period as compared to the previous reporting period. The Corporation records an unrealized gain on its financial instruments when the net fair value of its financial contracts has increased at the end of the current reporting period when compared to the 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 and may have a significant impact on its net income or loss in a period. Unrealized gains and losses on financial instruments do not impact the Corporation's adjusted funds flow and may differ materially from the actual gains or losses realized on the eventual cash settlement of financial contracts in a period.

The unrealized loss on financial instruments of $22.5 million in the Reporting Period resulted from a change to a fair value net liability position of $13.4 million at March 31, 2024 from a fair value net asset position of $9.1 million at December 31, 2023. The change in the net fair value of the Corporation's financial instruments was primarily due to the: (i) decrease (or tightening) in the forward basis spread between the Corporation's financial NYMEX HH/AECO 7A basis swap contracts outstanding at March 31, 2024, as compared to the net fair value previously assessed at December 31, 2023; and (ii) settlement of the Corporation's financial NYMEX HH/AECO 7A basis swap contracts during the Reporting Period.

Royalties

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Royalty expense *($000s)*[(1)]	14,467	29,308	(51)
Royalty expense *($/boe)*	2.11	4.37	(52)
Effective royalty rate *(%)*[(2)]	9	14	(36)

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

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

The effective royalty rate and royalty expense per boe decreased by 36% and 52% from the Comparable Prior Period, respectively, primarily due to a lower average realized natural gas sales price received for Birchcliff's natural gas production in the Reporting Period.

Operating Expense

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

Three months ended, *($000s)*	March 31, 2024	March 31, 2023	% Change
Field operating expense	27,548	27,772	(1)
Recoveries	(1,121)	(1,270)	(12)
Operating expense	**26,427**	**26,502**	**-**
Operating expense *($/boe)*	**3.85**	**3.95**	**(3)**

Operating expense per boe decreased by 3% from the Comparable Prior Period primarily due to lower power and fuel costs and a decrease in maintenance expenses, partially offset by higher gas processing costs due to increased NGLs volumes being delivered to third-party plants in the Reporting Period.

Transportation and Other

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

Three months ended, *($000s)*	**March 31, 2024**	**March 31, 2023**	**% Change**
Natural gas transportation	26,942	30,129	(11)
Liquids transportation	7,940	3,331	138
Fractionation	1,743	1,055	65
Other fees	-	2	(100)
Transportation expense	36,625	34,517	6
Transportation expense (*$/boe*)	5.33	5.14	4
Marketing purchases(1)	7,111	10,625	(33)
Marketing revenue(1)	(9,468)	(9,438)	-
Marketing loss (gain)(2)	(2,357)	1,187	(299)
Marketing loss (gain) (*$/boe*)(3)	(0.34)	0.17	(300)
Transportation and other expense(2)	**34,268**	**35,704**	**(4)**
Transportation and other expense (*$/boe*)(3)	**4.99**	**5.31**	**(6)**

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

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

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

Transportation and other expense per boe decreased by 6% from the Comparable Prior Period due to a marketing gain recorded in the Reporting Period as compared to a marketing loss in the Comparable Prior Period, partially offset by a higher transportation expense in the Reporting Period.

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

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

Operating Netback

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Pouce Coupe assets			
Average production			
Light oil *(bbls/d)*	48	27	78
Condensate *(bbls/d)*	3,281	4,047	(19)
NGLs *(bbls/d)*	2,024	538	276
Natural gas *(Mcf/d)*	287,608	281,489	2
Production *(boe/d)*	**53,287**	**51,527**	**3**
Liquids-to-gas ratio *(bbls/MMcf)*	**18.6**	**16.4**	**13**
% of corporate production	**71%**	**69%**	**3**
Netback and cost ($/boe)			
P&NG revenue(1)	21.76	28.96	(25)
Royalty expense	(1.56)	(3.65)	(57)
Operating expense	(3.13)	(3.12)	-
Transportation and other expense(2)	(5.03)	(5.06)	(1)
Operating netback(2)	**12.04**	**17.13**	**(30)**
Gordondale assets			
Average production			
Light oil *(bbls/d)*	1,477	2,059	(28)
Condensate *(bbls/d)*	1,478	1,310	13
NGLs *(bbls/d)*	5,369	2,748	95
Natural gas *(Mcf/d)*	82,272	101,213	(19)
Production *(boe/d)*	**22,036**	**22,985**	**(4)**
Liquids-to-gas ratio *(bbls/MMcf)*	**101.2**	**60.4**	**68**
% of corporate production	**29%**	**31%**	**(6)**
Netback and cost ($/boe)			
P&NG revenue(1)	28.72	35.82	(20)
Royalty expense	(3.44)	(5.97)	(42)
Operating expense	(5.55)	(5.76)	(4)
Transportation and other expense(2)	(4.90)	(5.89)	(17)
Operating netback(2)	**14.83**	**18.20**	**(19)**
Corporate(3)			
Netback and cost ($/boe)			
P&NG revenue(1)	23.80	31.08	(23)
Royalty expense	(2.11)	(4.37)	(52)
Operating expense	(3.85)	(3.95)	(3)
Transportation and other expense(2)	(4.99)	(5.31)	(6)
Operating netback(2)	**12.85**	**17.45**	**(26)**

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

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

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

Pouce Coupe Assets

Birchcliff's production from the Pouce Coupe assets increased by 3% from the Comparable Prior Period. The increase was primarily due to incremental production volumes from the new Montney/Doig wells brought on production since the Comparable Prior Period, which included the 5-well 04-30 pad brought on production in Pouce Coupe, and higher NGLs production in the Reporting Period, partially offset by natural production declines. NGLs sales volumes were negatively impacted by the Pembina Outage in the Comparable Prior Period.

The liquids-to-gas ratio for the Pouce Coupe assets increased by 13% from the Comparable Prior Period. The increase was primarily due to increased NGLs production in the Reporting Period as compared to the Comparable Prior Period.

Birchcliff's operating netback for the Pouce Coupe assets decreased by 30% from the Comparable Prior Period. The decrease was primarily due to lower per boe P&NG revenue, partially offset by a lower per boe royalty expense, both of which were largely impacted by a lower average realized sales price received for Birchcliff's natural gas production in the Reporting Period.

Gordondale Assets

Birchcliff's production from the Gordondale assets decreased by 4% from the Comparable Prior Period. The decrease was primarily due to natural production declines, partially offset by incremental production from new Montney/Doig wells brought on production in Gordondale since the Comparable Prior Period and higher NGLs production. NGLs sales volumes were negatively impacted by the Pembina Outage in the Comparable Prior Period.

The liquids-to-gas ratio for the Gordondale assets increased by 68% from the Comparable Prior Period. The increase was primarily due to increased NGLs production in the Reporting Period as compared to the Comparable Prior Period.

Birchcliff's operating netback for the Gordondale assets decreased by 19% from the Comparable Prior Period. The decrease was primarily due to lower per boe P&NG revenue, partially offset by a 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 Period. Birchcliff's operating netback for the Gordondale assets was also positively impacted by a decrease in per boe transportation and other expense in the Reporting Period.

Administrative Expense

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

Three months ended, *($000s)*	**March 31, 2024**	**March 31, 2023**	**% Change**
Cash:			
Salaries and benefits[(1)]	7,418	7,504	(1)
Other[(2)]	4,458	5,431	(18)
G&A expense, gross	11,876	12,935	(8)
Operating overhead recoveries	(25)	(36)	(31)
Capitalized overhead[(3)]	(3,083)	(3,441)	(10)
G&A expense, net	8,768	9,458	(7)
G&A expense, net (*$/boe*)	1.28	1.41	(9)
Non-cash:			
Other compensation	2,712	4,917	(45)
Capitalized compensation[(3)]	(1,219)	(2,526)	(52)
Other compensation, net	1,493	2,391	(38)
Other compensation, net (*$/boe*)	0.22	0.36	(39)
Administrative expense, net	**10,261**	**11,849**	**(13)**
Administrative expense, net (*$/boe*)	**1.50**	**1.77**	**(15)**

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

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

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

On an aggregate basis, net administrative expense decreased by 13% from the Comparable Prior Period due to lower net G&A expense and net other compensation expense. Net G&A expense decreased by 7% from the Comparable Prior Period primarily due to lower insurance, advocacy and corporate travel costs. Net other compensation expense decreased by 45% from the Comparable Prior Period primarily due to a decrease in the Black-Scholes fair value expense associated with Birchcliff's annual stock option grants.

Depletion and Depreciation Expense

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

Three months ended,	**March 31, 2024**	**March 31, 2023**	**% Change**
Depletion and depreciation expense *($000s)*	58,717	55,464	6
Depletion and depreciation expense (*$/boe*)	8.56	8.26	4

D&D expense per boe increased by 4% from the Comparable Prior Period. The increase was primarily due to a higher depletion rate on the Corporation's developed and producing assets, primarily driven by an increase in the FDC required to develop the Corporation's proved plus probable reserves. FDC for proved plus probable reserves increased to $4.96 billion at March 31, 2024 from $4.56 billion at March 31, 2023.

Finance Expense

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

Three months ended, *($000s)*	**March 31, 2024**	**March 31, 2023**	**% Change**
Cash:			
Interest expense(1)	7,720	3,184	142
Interest expense (*$/boe*)(1)	1.13	0.47	140
Non-cash:			
Accretion(2)	1,020	1,153	(12)
Amortization of deferred financing fees	425	424	-
Other finance expenses	1,445	1,577	(8)
Other finance expenses (*$/boe*)	0.21	0.23	(9)
Finance expense	**9,165**	**4,761**	**93**
Finance expense (*$/boe*)	**1.34**	**0.70**	**91**

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

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

On an aggregate basis, finance expense increased by 93% from the Comparable Prior Period 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 by 142% from the Comparable Prior Period primarily due to a higher average effective interest rate on amounts drawn under the Credit Facilities during the Reporting Period. Interest expense was also negatively impacted by a higher average outstanding balance under the Syndicated Credit Facility in the Reporting Period as compared to the Comparable Prior Period.

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

Three months ended,	**March 31, 2024**	**March 31, 2023**
Working Capital Facility *(%)*	8.2	7.6
Syndicated Credit Facility *(%)*(1)	7.1	6.6

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

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

The average outstanding balance under the Syndicated Credit Facility was approximately $384.0 million in the Reporting Period as compared to $124.9 million in the Comparable Prior Period, calculated as the simple average of the month-end amounts.

Income Taxes

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

Three months ended,	March 31, 2024	March 31, 2023	% Change
Deferred income tax recovery *($000s)*	3,714	11,331	(67)
Deferred income tax recovery (*$/boe*)	0.54	1.69	(68)

Birchcliff reported a deferred income tax recovery of $3.7 million in the Reporting Period, as compared to $11.3 million in the Comparable Prior Period, primarily due to a lower before-tax net loss in the Reporting Period.

The Corporation's estimated income tax pools were $1.4 billion at March 31, 2024. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are set forth in the table below:

As at, *($000s)*	March 31, 2024
Canadian oil and gas property expense	273,338
Canadian development expense	369,280
Canadian exploration expense(1)	295,788
Undepreciated capital costs	200,650
Non-capital losses(1)	198,046
Scientific research and experimental development expenditures(1)	24,022
Investment tax credits(2)	3,540
Financing costs and other	1,562
Estimated income tax pools	**1,366,226**

(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, *($000s)*	March 31, 2024	March 31, 2023	% Change
Land	8,220	1,200	585
Seismic	97	288	(66)
Workovers	755	2,276	(67)
Drilling and completions	87,276	82,623	6
Well equipment and facilities	6,425	28,652	(78)
F&D capital expenditures(1)	102,773	115,039	(11)
Dispositions	(109)	-	-
FD&A capital expenditures(2)	102,664	115,039	(11)
Administrative assets	820	620	32
Total capital expenditures(2)	**103,484**	**115,659**	**(11)**

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

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

During the Reporting Period, Birchcliff's F&D capital expenditures were $102.8 million, which primarily included $63.9 million (62%) for the drilling and completion of new wells in Pouce Coupe, $23.1 million (22%) for the drilling and completion of new wells in Gordondale, $8.2 million (8%) for land and $5.5 million (5%) for gas gathering and infrastructure projects in Pouce Coupe. During the Reporting Period, Birchcliff drilled 11 (11.0 net) wells and brought 5 (5.0 net) wells on production.

CAPITAL RESOURCES AND LIQUIDITY

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

Credit Facilities and Debt

At March 31, 2024, the Corporation's Credit Facilities were comprised of an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million and an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million.

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

At March 31, 2024, Birchcliff had a balance outstanding under its Credit Facilities of $430.2 million from available Credit Facilities of $850.0 million, leaving the Corporation with $419.8 million (49%) of unutilized credit capacity after adjusting for outstanding letters of credit and unamortized deferred financing fees. This unutilized credit capacity provides Birchcliff with significant financial flexibility and available capital resources.

Total debt at March 31, 2024 was $443.4 million, an increase of 16% from $382.3 million at December 31, 2023. The increase was primarily due to F&D capital expenditures and dividends paid to common shareholders exceeding the Corporation's adjusted funds flow in the Reporting Period. During the Reporting Period, Birchcliff incurred $102.8 million in F&D capital expenditures, paid $26.9 million in common share dividends and generated $66.1 million in adjusted funds flow.

Working Capital

Adjusted working capital consists of items from day-to-day operations, which includes cash, accounts receivables, prepaid expenses and deposits, accounts payables and accrued liabilities and the current portion of post-employment benefit obligations which are due and payable, and excludes the current portion of financial instruments and other liabilities discounted at the end of the period. The Corporation's adjusted working capital varies from quarter to quarter primarily due to the timing and size of items included from its normal operations and total capital expenditures, as well as volatility in commodity prices and changes in revenue, among other things. Birchcliff manages its adjusted working capital using adjusted funds flow and advances under its Credit Facilities. The Corporation's adjusted working capital position does not impact the borrowing base available under Birchcliff's Credit Facilities.

The Corporation's adjusted working capital deficit[(4)] was $14.8 million at March 31, 2024 as compared to $10.2 million at December 31, 2023. The increase in the deficit position was primarily due to a decrease in accounts receivable arising from lower P&NG revenue and an increase in accounts payable and accrued liabilities, partially offset by a decrease in the current portion of post-employment benefit obligations resulting from the settlement of those liabilities in the Reporting Period.

At March 31, 2024, the major component of Birchcliff's current assets was cash to be received from its commodity marketers in respect of March 2024 production (63%), which was subsequently received in April 2024. Birchcliff continues to monitor the financial strength of its marketers. At this time, Birchcliff expects that such counterparties will be able to meet their financial obligations. Birchcliff's current liabilities at March 31, 2024, primarily consisted of accounts payables and accrued liabilities for capital and operating expenses incurred in the Reporting Period.

(4) Capital management measure. See "*Non-GAAP and Other Financial Measures*" 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 March 31, 2024:

($000s)	2024	2025	2026-2028	Thereafter
Accounts payable and accrued liabilities	105,911	-	-	-
Drawn revolving term credit facilities	-	429,983	-	-
Firm transportation and fractionation(1)	159,780	171,075	362,996	146,896
Natural gas processing(2)	14,562	19,327	53,500	68,667
Operating commitments(3)	1,558	6,234	173	-
Capital commitments(4)	6,809	5,518	5,400	-
Lease payments	2,333	3,414	7,465	120
Estimated contractual obligations and commitments(5)	**290,953**	**635,551**	**429,534**	**215,683**

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

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

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

(4) Includes drilling commitments.

(5) Contractual obligations and commitments that are not material to Birchcliff are excluded from the above table. The Corporation's decommissioning obligations are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. Birchcliff estimates the total undiscounted cash flow to settle its decommissioning obligations on its wells and facilities at March 31, 2024, to be approximately $266.3 million and are estimated to be incurred as follows: 2024 – $2.8 million, 2025 – $2.9 million and $260.6 million thereafter. The estimate for determining the undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligation may differ materially.

OFF-BALANCE SHEET TRANSACTIONS

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

SHARE INFORMATION

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, each without par value. At May 14, 2024, there were 268,902,987 common shares and no preferred shares outstanding.

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

	Common Shares
Balance at December 31, 2023	267,155,675
Issuance of common shares(1)	1,422,328
Balance at March 31, 2024	**268,578,003**
Issuance of common shares(1)	324,984
Balance at May 14, 2024	**268,902,987**

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

At May 14, 2024, the Corporation also had the following securities outstanding: (i) 20,781,138 stock options to purchase an equivalent number of common shares; and (ii) 404,967 performance warrants to purchase an equivalent number of common shares.

During the Reporting Period, Birchcliff issued 1,422,328 common shares pursuant to the stock option plan at an average exercise price of $3.30 for aggregate proceeds of approximately $4.7 million. Subsequent to March 31, 2024, Birchcliff issued 324,984 common shares at an average exercise price of $2.22 for aggregate proceeds of approximately $0.7 million.

Normal Course Issuer Bid

On November 20, 2023, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,328,267 of its outstanding common shares over a period of twelve months commencing on November 27, 2023 and terminating no later than November 26, 2024. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Subject to exceptions for block purchases, the total number of common shares that Birchcliff is permitted to purchase on the TSX during a trading day is subject to a daily purchase limit of 275,590 common shares. All common shares purchased under the NCIB will be cancelled. During the Reporting Period, Birchcliff did not purchase any common shares pursuant to the NCIB.

DIVIDENDS

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

Three months ended,	March 31, 2024	March 31, 2023
Dividends on common shares *($000s)*	26,857	53,392
Per common share *($)*	0.10	0.20

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

Quarter ending,	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022
Average light oil production *(bbls/d)*	1,525	1,649	1,728	1,936	2,088	2,413	2,254	1,855
Average condensate production *(bbls/d)*	4,765	5,145	4,850	5,462	5,358	4,822	4,601	4,500
Average NGLs production *(bbls/d)*	7,397	7,653	7,412	6,811	3,288	7,963	7,593	6,349
Average natural gas production *(Mcf/d)*	370,288	372,594	360,924	379,807	383,145	387,604	381,788	366,256
Average production *(boe/d)*	75,402	76,546	74,143	77,510	74,592	79,799	78,079	73,746
Average realized light oil sales price *($/bbl)*[1]	95.24	100.07	100.46	89.89	105.69	115.24	115.94	135.91
Average realized condensate sales price *($/bbl)*[1]	100.26	103.80	107.67	98.18	105.88	114.32	115.84	138.28
Average realized NGLs sales price *($/bbl)*[1]	27.59	26.95	26.35	22.86	36.69	35.80	38.18	48.26
Average realized natural gas sales price *($/Mcf)*[1]	2.61	2.92	2.86	2.67	3.68	6.11	6.83	8.61
Average realized sales price *($/boe)*[1]	23.80	26.02	25.96	24.28	31.07	43.63	47.26	58.75
P&NG revenue *($000s)*[1]	163,304	183,295	177,126	171,291	208,647	320,358	339,531	394,315
F&D capital expenditures *($000s)*[2]	102,773	58,166	66,677	64,755	115,039	106,762	85,330	84,247
Total capital expenditures *($000s)*[3]	103,484	59,541	67,475	65,241	115,659	107,471	86,485	86,150
Cash flow from operating activities *($000s)*	65,255	79,006	67,840	62,353	111,330	224,447	272,965	273,711
Adjusted funds flow *($000s)*[3]	66,081	76,215	72,225	69,650	88,737	217,099	267,350	285,535
Per basic common share *($)*[4]	0.25	0.29	0.27	0.26	0.33	0.82	1.01	1.08
Per diluted common share *($)*[4]	0.25	0.29	0.27	0.26	0.33	0.79	0.97	1.03
Free funds flow *($000s)*[3]	(36,692)	18,049	5,548	4,895	(26,302)	110,337	182,020	201,288
Net income (loss) to common shareholders	(15,035)	(5,533)	15,108	42,753	(42,548)	69,453	244,582	213,855
Per basic common share *($)*	(0.06)	(0.02)	0.06	0.16	(0.16)	0.26	0.92	0.81
Per diluted common share *($)*	(0.06)	(0.02)	0.06	0.16	(0.16)	0.25	0.89	0.77
Total assets *($ millions)*	3,206	3,177	3,175	3,165	3,141	3,169	3,188	3,066
Total liabilities *($ millions)*	1,016	951	897	856	817	757	788	857
Revolving term credit facilities *($000s)*	428,566	372,097	318,711	281,354	191,426	131,981	196,989	276,030
Total debt *($000s)*[5]	443,380	382,306	327,655	278,521	217,927	138,549	186,064	266,894
Dividends on common shares *($000s)*	26,857	53,390	53,321	53,241	53,392	58,503	5,317	5,310
Weighted average common shares outstanding								
Basic *(000s)*	267,905	266,667	266,390	266,354	266,447	265,922	265,298	265,440
Diluted *(000s)*	267,905	266,667	272,447	272,365	266,447	275,567	274,223	276,015

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

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

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

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

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

Production in the last eight quarters was primarily impacted by Birchcliff's successful drilling of new horizontal liquids-rich natural gas and light oil wells in Pouce Coupe and Gordondale and the timing thereof, as well as natural production declines during those periods. Light oil production has generally trended lower over the last eight quarters primarily due to the Corporation specifically targeting natural gas wells in liquids-rich zones. 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.

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 five most recently completed quarters decreased significantly from the prior quarters due to declining benchmark oil and natural gas commodity prices.

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

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

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

The amount outstanding under the Credit Facilities and the Corporation's total debt in the last five quarters have trended higher primarily due to the aggregate of F&D capital expenditures and dividends paid to common shareholders exceeding adjusted funds flow in each quarter of 2023 and the first quarter of 2024.

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 most recent previous five quarters as a result of the higher quarterly base dividend of $0.20 per common share that was paid in each quarter of 2023 and a special dividend of $0.20 per common share that was paid in the fourth quarter of 2022. The dividend payments decreased in the first quarter of 2024 as a result of a reduction in the quarterly base dividend to $0.10 per common share.

POTENTIAL TRANSACTIONS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal controls over financial reporting ("**ICFR**") that occurred during the period beginning on January 1, 2024 and ended on March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of judgement, estimates and assumptions in preparing the interim condensed financial statements are discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2023.

OPERATING ENVIRONMENT

Benchmark oil and natural gas prices remained volatile during the Reporting Period primarily driven by a confluence of factors, including (but not limited to) the extension of production cuts by the OPEC+, ongoing global economic slowdown concerns attributed to high inflation and interest rates and geopolitical tensions arising from the Russian invasion of Ukraine as well as ongoing conflict in the Middle East and global commodity supply constraints. These factors remain evolving situations that have had, and may continue to have, a significant impact on Birchcliff's business, results of operations, financial position and the environment in which it operates. Management cannot reasonably estimate the length or severity of these events and economic conditions, or the extent to which they will impact the Corporation's go-forward financial position, profit or loss and cash flows. The potential direct and indirect impacts of the above-noted factors have been considered in management's estimates and assumptions at March 31, 2024, and have been reflected in the Corporation's financial results.

CHANGES IN ACCOUNTING POLICY

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

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

REGULATORY UPDATE

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

RISK FACTORS

Birchcliff's financial and operational performance is potentially affected by a number of factors, including, but not limited to, financial risks, risks relating to economic conditions, business and operational risks, environmental and regulatory risks and other risks. A detailed discussion of the risk factors affecting the Corporation is presented under the heading "*Risk Factors*" in the AIF and MD&A for the year ended December 31, 2023.

ABBREVIATIONS

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

Adjusted Funds Flow and Free Funds Flow

Birchcliff defines "adjusted funds flow" as cash flow from operating activities before the effects of decommissioning expenditures, retirement benefit payments and changes in non-cash operating working capital. Birchcliff eliminates settlements of decommissioning expenditures from cash flow from operating activities as the amounts can be discretionary and may vary from period to period depending on its capital programs and the maturity of its operating areas. The settlement of decommissioning expenditures is managed with Birchcliff's capital budgeting process which considers available adjusted funds flow. Birchcliff eliminates retirement benefit payments from cash flow from operating activities as such payments reflect costs for past service and contributions made by eligible executives under the Corporation's post-employment benefit plan, which are not indicative of the current period. Changes in non-cash operating working capital are eliminated in the determination of adjusted funds flow as the timing of collection and payment are variable and by excluding them from the calculation, the Corporation believes that it is able to provide a more meaningful measure of its operations and ability to generate cash on a continuing basis. Management believes that adjusted funds flow assists management and investors in assessing Birchcliff's financial performance after deducting all operating and corporate cash costs, as well as its ability to generate the cash necessary to fund sustaining and/or growth capital expenditures, repay debt, settle decommissioning obligations, buy back common shares and pay dividends.

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

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

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2024**	**2023**	**2023**
Cash flow from operating activities	**65,255**	**111,330**	**320,529**
Change in non-cash operating working capital	(13,163)	(22,967)	(19,477)
Decommissioning expenditures	138	374	3,775
Retirement benefit payments	13,851	-	2,000
Adjusted funds flow	**66,081**	**88,737**	**306,827**
F&D capital expenditures	(102,773)	(115,039)	(304,637)
Free funds flow	**(36,692)**	**(26,302)**	**2,190**

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

FD&A and Total Capital Expenditures

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

Three months ended, *($000s)*	March 31, 2024	March 31, 2023
Exploration and development expenditures[1]	**102,773**	**115,039**
Dispositions	(109)	-
FD&A capital expenditures	**102,664**	**115,039**
Administrative assets	820	620
Total capital expenditures	**103,484**	**115,659**

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

Transportation and Other Expense and Marketing Gains and Losses

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

	Three months ended March 31,		Twelve months ended December 31,
($000s)	**2024**	**2023**	**2023**
Transportation expense	**36,625**	**34,517**	**152,828**
Marketing purchases	7,111	10,625	34,772
Marketing revenue	(9,468)	(9,438)	(30,521)
Marketing (gain) loss	**(2,357)**	**1,187**	**4,251**
Transportation and other expense	**34,268**	**35,704**	**157,079**

Operating Netback

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

Three months ended, *($000s)*	March 31, 2024	March 31, 2023
P&NG revenue	105,526	134,316
Royalty expense	(7,550)	(16,942)
Operating expense	(15,173)	(14,453)
Transportation and other expense	(24,406)	(23,486)
Operating netback – Pouce Coupe assets	**58,397**	**79,435**
P&NG revenue	57,588	74,102
Royalty expense	(6,907)	(12,357)
Operating expense	(11,133)	(11,921)
Transportation and other expense	(9,815)	(12,177)
Operating netback – Gordondale assets	**29,733**	**37,647**
P&NG revenue	163,304	208,647
Royalty expense	(14,467)	(29,308)
Operating expense	(26,427)	(26,502)
Transportation and other expense	(34,268)	(35,704)
Operating netback – Corporate	**88,142**	**117,133**

Non-GAAP Ratios

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

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

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

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

Free Funds Flow Per Basic Common Share

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

Transportation and Other Expense Per Boe

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

Marketing Gains and Losses Per Boe

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

Operating Netback Per Boe

Birchcliff calculates "operating netback per boe" as aggregate operating netback in the period divided by the production (boe) in the period. Operating netback per boe is a key industry performance indicator and one that provides investors with information that is commonly presented by other oil and natural gas producers. Management believes that operating netback per boe assists management and investors in assessing Birchcliff's operating profitability and sustainability by isolating the impact of production volumes to better analyze its performance against prior periods on a comparable basis.

Capital Management Measures

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

Total Debt and Adjusted Working Capital

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

As at, *($000s)*	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Revolving term credit facilities	**428,566**	**372,097**	**191,426**
Working capital deficit(1)	34,261	13,084	60,729
Fair value of financial instruments – asset(2)	240	3,588	7,585
Fair value of financial instruments – liability(2)	(14,550)	(1,394)	(27,942)
Other liabilities(2)	(5,137)	(5,069)	(13,871)
Adjusted working capital deficit	**14,814**	**10,209**	**26,501**
Total debt	**443,380**	**382,306**	**217,927**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

ADVISORIES

Unaudited Information

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

Currency

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

Boe Conversions

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

MMBtu Pricing Conversions

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

Oil and Gas Metrics

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

F&D Capital Expenditures

Unless otherwise stated, references in this MD&A to "F&D capital expenditures" denotes exploration and development expenditures as disclosed in the Corporation's financial statements in accordance with GAAP, and is primarily comprised of capital for land, seismic, workovers, drilling and completions, well equipment and facilities and capitalized G&A costs and excludes any 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 *"Updated 2024 Outlook and Guidance"* as it relates to Birchcliff's outlook and guidance, including: forecasts of annual average production, production commodity mix, average expenses, adjusted funds flow, F&D capital expenditures, free funds flow, annual base dividend, total debt at year end and natural gas market exposure in 2024; the expected impact of changes in commodity prices and the CDN/US exchange rate on Birchcliff's forecast of free funds flow for 2024; and that lower anticipated adjusted funds flow in 2024 is expected to result in higher total debt at year-end 2024 than previously forecast;
- Birchcliff's market diversification and risk management activities and any anticipated benefits to be derived therefrom;
- estimates of future development costs;
- the Corporation's estimated income tax pools and management's expectation that future taxable income will be available to utilize the accumulated tax pools;
- the information set forth under the heading *"Capital Resources and Liquidity"* and elsewhere in this MD&A as it relates to the Corporation's liquidity and capital resources, including: that the capital-intensive nature of Birchcliff's operations requires it to maintain adequate sources of liquidity to fund its short-term and long-term financial obligations; that the Corporation believes that its anticipated adjusted funds flow and available Credit Facilities in 2024 will be sufficient to fund its ongoing capital requirements in 2024, which include its working capital, F&D capital expenditures and dividend payments approved by the Board; that should commodity prices deteriorate significantly, Birchcliff may adjust its capital requirements, seek additional debt/equity financing and/or consider the potential sale of non-core assets; that the unutilized credit capacity under the Credit Facilities provides Birchcliff with significant financial flexibility and available capital resources; and the Corporation's expectation that counterparties will be able to meet their financial obligations;
- estimates of Birchcliff's material contractual obligations and commitments and decommissioning obligations;

- the Corporation's belief that it does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial position, operational results, liquidity or capital expenditures;
- statements relating to the NCIB, including: potential purchases under the NCIB; and the cancellation of common shares under the NCIB;
- statements regarding potential transactions;
- statements regarding regulations relating to climate change and climate-related matters; and
- that Birchcliff anticipates the forward-looking non-GAAP financial measure for adjusted funds flow to be lower than its historical amount primarily due to lower anticipated benchmark natural gas prices and that Birchcliff anticipates the forward-looking non-GAAP financial measure for free funds flow to be higher than its historical amount primarily due to lower anticipated F&D capital expenditures.

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

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

- With respect to Birchcliff's 2024 guidance (as updated on May 15, 2024), such guidance is based on the commodity price, exchange rate and other assumptions set forth under the heading *"Updated 2024 Outlook and Guidance"*. In addition:
    - Birchcliff's production guidance assumes that: the 2024 capital program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing and operational expectations; existing wells continue to meet production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.
    - Birchcliff's forecast of F&D capital expenditures assumes that the 2024 capital program will be carried out as currently contemplated and excludes any potential acquisitions, dispositions and the capitalized portion of cash incentive payments that have not been approved by the Board. The amount and allocation of capital expenditures for exploration and development activities by area and the number and types of wells to be drilled and brought on production is dependent upon results achieved and is subject to review and modification by management on an ongoing basis throughout the year. Actual spending may vary due to a variety of factors,

including commodity prices, economic conditions, results of operations and costs of labour, services and materials.

- Birchcliff's forecasts of adjusted funds flow and free funds flow assume that: the 2024 capital program will be carried out as currently contemplated and the level of capital spending for 2024 set forth herein is met; and the forecasts of production, production commodity mix, expenses and natural gas market exposure and the commodity price and exchange rate assumptions set forth herein are met. Birchcliff's forecast of adjusted funds flow takes into account its financial basis swap contracts outstanding as at May 3, 2024, and excludes cash incentive payments that have not been approved by the Board.
- Birchcliff's forecast of year end total debt assumes that: (i) the forecasts of adjusted funds flow and free funds flow are achieved, with the level of capital spending for 2024 met and the payment of an annual base dividend of approximately $107 million; (ii) any free funds flow remaining after the payment of dividends, asset retirement obligations and other amounts for administrative assets, financing fees and capital lease obligations is allocated towards debt reduction; (iii) there are no buybacks of common shares during 2024; (iv) there are no significant acquisitions or dispositions completed by the Corporation during 2024; (v) there are no equity issuances during 2024; and (vi) there are no further proceeds received from the exercise of stock options or performance warrants during 2024. The forecast of total debt excludes cash incentive payments that have not been approved by the Board.
- Birchcliff's forecast of its natural gas market exposure assumes: (i) 175,000 GJ/d being sold on a physical basis at the Dawn price; (ii) 147,500 MMBtu/d being contracted on a financial basis at an average fixed basis differential price between AECO 7A and NYMEX HH of approximately US$1.12/MMBtu; and (iii) 9,045 GJ/d being sold at Alliance on a physical basis at the AECO 5A price plus a premium. Birchcliff's natural gas market exposure takes into account its financial basis swap contracts outstanding as at May 3, 2024.

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

Birchcliff's actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of both known and unknown risks and uncertainties including, but not limited to: the risks posed by pandemics, epidemics and global conflict (including the Russian invasion of Ukraine and the Israel-Hamas conflict) and their impacts on supply and demand and commodity prices; actions taken by OPEC and other major producers of crude oil and the impact such actions may have on supply and demand and commodity prices; 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); 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 Birchcliff's results of operations, financial performance or financial results are included in the AIF and MD&A for the financial year ended December 31, 2023 under the heading *"Risk Factors"* and in other reports filed with Canadian securities regulatory authorities.

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

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

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF FINANCIAL POSITION

Unaudited (Expressed in thousands of Canadian dollars)

As at,	March 31, 2024	December 31, 2023	January 1, 2023
ASSETS			*(Note 3)*
Current assets:			
Cash	43	55	74
Accounts receivable	67,355	75,105	125,005
Prepaid expenses and deposits	23,699	23,304	12,140
Financial instruments *(Note 13)*	240	3,588	17,729
	91,337	102,052	154,948
Non-current assets:			
Investments *(Note 14)*	10,243	10,567	10,961
Property, plant and equipment *(Note 4)*	3,099,771	3,055,958	2,972,592
Financial instruments *(Note 13)*	5,043	8,333	30,864
	3,115,057	3,074,858	3,014,417
Total assets	**3,206,394**	**3,176,910**	**3,169,365**
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	105,911	94,822	143,787
Other liabilities *(Note 10)*	5,137	18,920	13,084
Financial instruments *(Note 13)*	14,550	1,394	1,345
	125,598	115,136	158,216
Non-current liabilities:			
Revolving term credit facilities *(Note 5)*	428,566	372,097	131,981
Decommissioning obligations *(Note 6)*	89,897	91,324	99,720
Deferred income taxes	357,572	361,285	355,115
Other liabilities *(Note 10)*	9,713	10,160	11,680
Financial instruments *(Note 13)*	4,193	1,463	-
	889,941	836,329	598,496
Total liabilities	1,015,539	951,465	756,712
SHAREHOLDERS' EQUITY			
Common share capital *(Note 7)*	1,435,490	1,429,198	1,430,944
Contributed surplus	105,672	104,662	86,560
Retained earnings	649,693	691,585	895,149
Total shareholders' equity	2,190,855	2,225,445	2,412,653
Total shareholders' equity and liabilities	**3,206,394**	**3,176,910**	**3,169,365**

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

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

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

Three months ended,	**March 31, 2024**	**March 31, 2023**
REVENUE		
Petroleum and natural gas revenue *(Note 9)*	163,304	208,647
Marketing revenue *(Note 9)*	9,468	9,438
Royalties	(14,467)	(29,308)
Realized loss on financial instruments *(Note 13)*	(5,628)	(15,811)
Unrealized loss on financial instruments *(Note 13)*	(22,524)	(83,432)
Other income	55	57
	130,208	89,591
EXPENSES		
Operating	26,427	26,502
Transportation	36,625	34,517
Marketing purchases *(Note 9)*	7,111	10,625
Administrative, net	10,261	11,849
Depletion and depreciation *(Note 4)*	58,717	55,464
Finance	9,165	4,761
Other loss (gain) *(Note 14)*	651	(248)
	148,957	143,470
Net loss before taxes	(18,749)	(53,879)
Deferred income tax recovery	3,714	11,331
NET LOSS AND COMPREHENSIVE LOSS	**(15,035)**	**(42,548)**
Net loss per common share *(Note 8)*		
Basic	**($0.06)**	**($0.16)**
Diluted	**($0.06)**	**($0.16)**

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

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

Unaudited (Expressed in thousands of Canadian dollars)

	Common Share Capital	Contributed Surplus	Retained Earnings	Total
As at December 31, 2022	1,430,944	86,560	895,149	2,412,653
Issuance of common shares	3,769	(971)	-	2,798
Dividends on common shares	-	-	(53,392)	(53,392)
Stock-based compensation	-	4,773	-	4,773
Net loss and comprehensive loss	-	-	(42,548)	(42,548)
As at March 31, 2023	**1,434,713**	**90,362**	**799,209**	**2,324,284**
As at December 31, 2023	1,429,198	104,662	691,585	2,225,445
Issuance of common shares *(Notes 7 & 11)*	6,292	(1,603)	-	4,689
Dividends on common shares *(Note 7)*	-	-	(26,857)	(26,857)
Stock-based compensation *(Note 11)*	-	2,613	-	2,613
Net loss and comprehensive loss	-	-	(15,035)	(15,035)
As at March 31, 2024	**1,435,490**	**105,672**	**649,693**	**2,190,855**

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

BIRCHCLIFF ENERGY LTD.
CONDENSED STATEMENTS OF CASH FLOWS

Unaudited (Expressed in thousands of Canadian dollars)

Three months ended,	March 31, 2024	March 31, 2023
Cash provided by (used in):		
OPERATING		
Net loss	(15,035)	(42,548)
Adjustments for items not affecting operating cash:		
Unrealized loss on financial instruments *(Note 13)*	22,524	83,432
Depletion and depreciation *(Note 4)*	58,717	55,464
Other compensation	1,493	2,391
Finance	9,165	4,761
Other loss (gain)	651	(248)
Deferred income tax recovery	(3,714)	(11,331)
Interest paid	(7,720)	(3,184)
Retirement benefit payments (*Note 10*)	(13,851)	-
Decommissioning expenditures *(Note 6)*	(138)	(374)
Changes in non-cash working capital	13,163	22,967
	65,255	111,330
FINANCING		
Issuance of common shares *(Note 7)*	4,689	2,798
Lease payments *(Note 10)*	(614)	(614)
Dividends on common shares *(Note 7)*	(26,857)	(53,392)
Net change in revolving term credit facilities *(Note 5)*	56,044	59,021
	33,262	7,813
INVESTING		
Exploration and development *(Note 4)*	(102,773)	(115,039)
Dispositions *(Note 4)*	109	-
Administrative assets *(Note 4)*	(820)	(620)
Investments	(326)	(450)
Changes in non-cash working capital	5,281	(3,036)
	(98,529)	(119,145)
Net change in cash	(12)	(2)
Cash, beginning of period	55	74
CASH, END OF PERIOD	**43**	**72**

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

BIRCHCLIFF ENERGY LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024

Unaudited (Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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

These unaudited interim condensed financial statements were approved and authorized for issuance by Birchcliff's board of directors (the "**Board**") on May 15, 2024.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements present Birchcliff's financial results of operations and financial position under IFRS Accounting Standards ("**IFRS**") as at and for the three months ended March 31, 2024, including the 2023 comparative period. The financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These unaudited interim condensed financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual audited financial statements for the year ended December 31, 2023. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2023.

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

3. CHANGES IN ACCOUNTING POLICY

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

($000s)	Exploration & Evaluation Assets	Developed & Producing Assets	Lease Assets	Corporate Assets	Total
Cost:					
As at December 31, 2022	406	4,710,080	20,078	25,224	4,755,788
Additions	-	311,436	951	3,176	315,563
Acquisitions	-	620	-	-	620
Dispositions	-	(6,303)	-	-	(6,303)
As at December 31, 2023	406	5,015,833	21,029	28,400	5,065,668
Additions	-	101,819	-	820	102,639
Dispositions	-	(109)	-	-	(109)
As at March 31, 2024(1)	406	5,117,543	21,029	29,220	5,168,198
Accumulated depletion and depreciation:					
As at December 31, 2022	-	(1,753,992)	(8,016)	(21,188)	(1,783,196)
Depletion and depreciation expense(2)	-	(222,938)	(2,035)	(1,541)	(226,514)
As at December 31, 2023	-	(1,976,930)	(10,051)	(22,729)	(2,009,710)
Depletion and depreciation expense(2)	-	(57,763)	(509)	(445)	(58,717)
As at March 31, 2024	-	(2,034,693)	(10,560)	(23,174)	(2,068,427)
Net book value:					
As at December 31, 2023	**406**	**3,038,903**	**10,978**	**5,671**	**3,055,958**
As at March 31, 2024	**406**	**3,082,850**	**10,469**	**6,046**	**3,099,771**

(1) The Corporation's PP&E were pledged as security for its revolving term credit facilities. Although the Corporation believes that it has title to its PP&E, it cannot control or completely protect itself against the risk of title disputes and challenges.

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

Impairment Assessment

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

5. REVOLVING TERM CREDIT FACILITIES

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

As at, *($000s)*	**March 31, 2024**	**December 31, 2023**
Syndicated credit facility	412,410	358,722
Working capital facility	17,573	15,217
Drawn revolving term credit facilities	429,983	373,939
Unamortized deferred financing fees	(1,417)	(1,842)
Revolving term credit facilities	**428,566**	**372,097**

At March 31, 2024, the aggregate principal amount of the Corporation's revolving term credit facilities was $850.0 million which were comprised of: (i) an extendible revolving syndicated term credit facility (the "**Syndicated Credit Facility**") of $750.0 million; and (ii) an extendible revolving working capital facility (the "**Working Capital Facility**") of $100.0 million (collectively, the "**Credit Facilities**").

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

6. DECOMMISSIONING OBLIGATIONS

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

As at, *($000s)*	**March 31, 2024**	**December 31, 2023**
Balance, beginning	91,324	99,720
Obligations incurred	654	2,778
Obligations acquired	-	430
Obligations divested	-	(764)
Changes in estimated future cash flows(1)	(2,828)	(8,631)
Accretion	885	3,700
Decommissioning expenditures(2)	(138)	(5,909)
Balance, ending	**89,897**	**91,324**

(1) Primarily relates to changes in the inflation rate and discount nominal risk-free rate used to calculate the present value of the decommissioning obligations. Birchcliff applied an inflation rate of 1.84% and a discount nominal risk-free rate of 3.34% to calculate the present value of the decommissioning obligations at March 31, 2024, and an inflation rate of 1.62% and a discount nominal risk-free rate of 3.02% at December 31, 2023.

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

7. CAPITAL STOCK

Share Capital

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, each without par value.

Number of Common Shares Issued and Outstanding

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

As at, *(000s)*	**March 31, 2024**	**December 31, 2023**
Outstanding at beginning of period	267,156	266,047
Issuance of common shares(1)	1,422	2,537
Repurchase of common shares(2)	-	(1,428)
Outstanding at end of period	**268,578**	**267,156**

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

(2) On November 20, 2023, Birchcliff announced that the TSX had accepted the Corporation's notice of intention to make a normal course issuer bid (the "**NCIB**"). Pursuant to the NCIB, Birchcliff may purchase up to 13,328,267 of its outstanding common shares over a period of twelve months commencing on November 27, 2023 and terminating no later than November 26, 2024. Under the NCIB, common shares may be purchased in open market transactions on the TSX and/or alternative Canadian trading systems at the prevailing market price at the time of such transaction. Pursuant to the rules of the TSX, the total number of common shares that Birchcliff is permitted to purchase is subject to a daily purchase limit of 275,590 common shares. However, Birchcliff may make one block purchase per calendar week which exceeds the daily purchase restriction. All common shares purchased under the NCIB will be cancelled. During the three months ended March 31, 2024, the Corporation did not purchase any common shares pursuant to the NCIB.

Dividends

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

Three months ended,	**March 31, 2024**	**March 31, 2023**
Dividends on common shares *($000s)*	26,857	53,392
Per common share *($)*	0.10	0.20

On January 17, 2024, the Board declared a quarterly cash dividend of $0.10 per common share for the quarter ending March 31, 2024. The dividend was paid on March 28, 2024, to shareholders of record at the close of business on March 15, 2024. The dividend has been designated as an eligible dividend for the purposes of the *Income Tax Act* (Canada).

8. LOSS PER SHARE

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

Three months ended,	March 31, 2024	March 31, 2023
Net loss to common shareholders *($000s)*	(15,035)	(42,548)
Weighted average basic common shares outstanding *(000s)*	267,905	266,447
Weighted average diluted common shares outstanding *(000s)*[(1)]	267,905	266,447
Per basic common share	**($0.06)**	**($0.16)**
Per diluted common share	**($0.06)**	**($0.16)**

(1) As the Corporation reported a net loss for the three months ended March 31, 2024 and 2023, all dilutive securities were considered anti-dilutive and therefore the basic and diluted weighted average common shares outstanding are the same at the end of each period.

9. REVENUE

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

Three months ended, *($000s)*	March 31, 2024	March 31, 2023
Light oil sales	13,219	19,862
Condensate[(1)]	43,477	51,062
NGLs sales[(2)]	18,568	10,855
Natural gas sales	88,022	126,822
P&NG sales[(3)(4)]	163,286	208,601
Royalty income	18	46
P&NG revenue	163,304	208,647
Marketing revenue[(5)]	9,468	9,438
Revenue from contracts with customers	**172,772**	**218,085**

(1) Consists of pentanes plus.

(2) Consists of ethane, propane and butane.

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

(4) Included in accounts receivable at March 31, 2024, was $57.8 million (March 31, 2023 – $72.2 million) in P&NG sales to be received from its marketers in respect of March 2024 production, which was subsequently received in April 2024.

(5) Marketing revenue primarily represents the sale of commodities purchased from third parties less applicable fees. Birchcliff enters into certain commodity purchase and sales arrangements to reduce its take-or-pay fractionation fees associated with third-party commitments. The value of commodities purchased and sold during the period is primarily driven by prevailing commodity prices, the availability of sellers and buyers for fractionated production and fractionation capacity available in the market. The value of commodities purchased and sold to third parties are recorded on a gross basis for financial statement presentation purposes. Marketing revenue also includes a propane supply arrangement with a third-party polypropylene producer, which is recorded net of processing costs and other charges. For the three months ended March 31, 2024, the Corporation had marketing purchases from third parties of $7.1 million (March 31, 2023 – $10.6 million).

10. OTHER LIABILITIES

Post-Employment Benefit Obligations

The Corporation estimates the total undiscounted (inflated) amount of cash flow required to settle its obligations for all participants meeting the eligibility requirements under the post-employment benefit plan was approximately $9.3 million at March 31, 2024 (December 31, 2023 – $23.2 million).

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

As at, *($000s)*	March 31, 2024	December 31, 2023
Balance, beginning	16,465	11,170
Obligations incurred(1)	100	5,637
Accretion	17	171
Loss on settlement	-	1,487
Retirement benefit payments	(13,851)	(2,000)
Balance, ending(2)	**2,731**	**16,465**
Current portion	2,630	16,413(3)
Long-term portion	101	52(3)

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

(2) Birchcliff applied a discount rate of 2.8% and an inflation rate of 3.0% to calculate the present value of the post-employment benefit obligations at March 31, 2024, and December 31, 2023.

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

Lease Obligations

The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations was approximately $13.3 million at March 31, 2024 (December 31, 2023 – $13.9 million) and is expected to be settled no later than 2029.

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

As at, *($000s)*	March 31, 2024	December 31, 2023
Balance, beginning	12,615	13,594
Lease payments	(614)	(2,458)
Change in estimate	-	951
Accretion	118	528
Balance, ending(1)	**12,119**	**12,615**
Current portion	2,507	2,507
Long-term portion	9,612	10,108

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

11. SHARE-BASED PAYMENT

Stock Options

At March 31, 2024, the Corporation's stock option plan (the "**Option Plan**") permitted the grant of options in respect of a maximum of 26,857,800 (March 31, 2023 – 26,698,690) common shares. At March 31, 2024, there remained 5,847,145 (March 31, 2023 – 7,309,492) stock options available for issuance. For the stock options exercised during 2024, the weighted average common share trading price on the TSX was $5.35 (March 31, 2023 – $8.38) per common share.

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

Three months ended,	March 31, 2024		March 31, 2023	
	Number	Price *($)*(1)	Number	Price *($)*(1)
Outstanding, beginning	22,779,950	5.95	20,322,784	5.53
Granted(2)	35,800	5.04	22,700	8.22
Exercised	(1,422,328)	(3.30)	(940,086)	(2.98)
Forfeited	(182,367)	(7.39)	(16,200)	(6.98)
Expired	(200,400)	(7.93)	-	-
Outstanding, ending	**21,010,655**	**6.09**	**19,389,198**	**5.65**

(1) Calculated on a weighted average basis.

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

The weighted average fair value per option granted during the three months ended March 31, 2024, was $1.34 (March 31, 2023 – $2.49). In determining the stock-based compensation expense for options issued during the three months ended March 31, 2024, the Corporation applied a weighted average estimated forfeiture rate of 7.0% (March 31, 2023 – 7.3%).

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

Three months ended,	March 31, 2024	March 31, 2023
Risk-free interest rate	3.7%	3.6%
Expected life *(years)*	4.0	4.1
Expected volatility	54.7%	62.3%
Dividend yield	7.8%	8.5%

A summary of the stock options outstanding and exercisable under the Option Plan at March 31, 2024, is set forth below:

Grant Price *($)*		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*	Quantity	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($)*
0.78	3.00	5,065,287	1.26	2.03	5,061,620	1.26	2.02
3.01	6.00	168,301	2.77	4.36	80,666	2.19	4.17
6.01	9.00	10,264,767	3.69	6.37	3,594,822	2.67	6.57
9.01	11.65	5,512,300	3.68	9.37	2,191,511	3.65	9.36
		21,010,655	**3.09**	**6.09**	**10,928,619**	**2.21**	**5.01**

Performance Warrants

As at March 31, 2024, there remained 404,967 performance warrants (December 31, 2023 – 404,967) outstanding with an expiry date of January 31, 2025.

12. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility to preserve its ability to meet financial obligations, to maintain a capital structure that allows Birchcliff to finance its business strategy using primarily internally-generated cash flow and its available Credit Facilities and to optimize the use of its capital to provide an appropriate investment return to its shareholders. There were no changes in the Corporation's approach to capital management during the three months ended March 31, 2024.

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

As at, *($000s)*	March 31, 2024	December 31, 2023
Maximum borrowing base limit[(1)]:		
Revolving term credit facilities	850,000	850,000
Principal amount utilized:		
Revolving term credit facilities	(428,566)	(372,097)
Unamortized deferred financing fees	(1,417)	(1,842)
Outstanding letters of credit	(185)	(185)
	(430,168)	(374,124)
Unused credit	**419,832**	**475,876**

(1) The Credit Facilities are subject to a semi-annual review of the borrowing base limit, which is directly impacted by the value of Birchcliff's oil and gas reserves. See Note 5.

The capital structure of the Corporation is as follows:

As at, *($000s)*	**March 31, 2024**	**December 31, 2023**	**% Change**
Total shareholders' equity	**2,190,855**	**2,225,445**	**(2)**
Total shareholders' equity as a % of total capital	83%	85%	
Revolving term credit facilities	428,566	372,097	
Working capital deficit[1]	34,261	13,084	
Fair value of financial instruments - asset[2]	240	3,588	
Fair value of financial instruments - liability[2]	(14,550)	(1,394)	
Other liabilities[3]	(5,137)	(5,069)	
Adjusted working capital deficit[4]	14,814	10,209	
Total debt	**443,380**	**382,306**	**16**
Total debt as a % of total capital	17%	15%	
Total capital	**2,634,235**	**2,607,751**	**1**

(1) Current liabilities less current assets.

(2) Reflects the current portion only.

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

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

13. RISK MANAGEMENT

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

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can materially impact the corporation's financial performance, operating results and financial position. Commodity prices for P&NG are not only influenced by Canadian and the United States supply and demand, but also by world events that dictate the levels of supply and demand globally.

Financial Derivative Contracts

At March 31, 2024, Birchcliff had certain financial derivative contracts outstanding in order to manage commodity price risk. These instruments are not used for trading or speculative purposes. Birchcliff has not designated its financial instruments as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial instruments are recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in profit or loss and realized upon settlement.

At March 31, 2024, Birchcliff had the following financial derivative contracts in place to manage commodity price risk:

Product	Type of Contract	Notional Quantity	Remaining Term[(1)]	Contract Price	Asset (Liability) *($000s)*
Natural gas	AECO 7A basis swap[(2)]	15,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.185/MMBtu	(1,734)
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(613)
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2024	NYMEX HH less US$1.200/MMBtu	(628)
Natural gas	AECO 7A basis swap[(2)]	12,500 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.108/MMBtu	(1,616)
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.115/MMBtu	(1,342)
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.050/MMBtu	(973)
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.178/MMBtu	(990)
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.175/MMBtu	(1,848)
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.190/MMBtu	(983)
Natural gas	AECO 7A basis swap[(2)]	30,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.114/MMBtu	(4,005)
Natural gas	AECO 7A basis swap[(2)]	35,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.081/MMBtu	(3,734)
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Apr. 1, 2024 – Dec. 31, 2025	NYMEX HH less US$1.013/MMBtu	(236)
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$1.005/MMBtu	232
Natural gas	AECO 7A basis swap[(2)]	5,000 MMBtu/d	Jan. 1, 2025 – Dec. 31, 2025	NYMEX HH less US$0.990/MMBtu	73
Natural gas	AECO 7A basis swap[(2)]	10,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.895/MMBtu	612
Natural gas	AECO 7A basis swap[(2)]	40,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.979/MMBtu	891
Natural gas	AECO 7A basis swap[(2)]	20,000 MMBtu/d	Jan. 1, 2026 – Dec. 31, 2026	NYMEX HH less US$0.960/MMBtu	601
Natural gas	AECO 7A basis swap[(2)]	25,000 MMBtu/d	Jan. 1, 2027 – Dec. 31, 2027	NYMEX HH less US$0.788/MMBtu	2,833
				Fair value	**(13,460)**

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

(2) Birchcliff sold AECO basis swap.

At March 31, 2024, if the future NYMEX HH/AECO 7A basis changed by US$0.10/MMBtu, with all other variables held constant, after-tax net income in the three months ended March 31, 2024 would have changed by approximately $12.6 million.

There were no financial derivative contracts entered into subsequent to March 31, 2024, to manage commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's Credit Facilities are exposed to interest rate risk. The remainder of Birchcliff's financial assets and liabilities are not directly exposed to interest rate risk. The corporation had no financial derivative contracts in place to manage interest rate risk as at March 31, 2024.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified but generally an increase in the value of the CDN dollar as compared to the US dollar will reduce the CDN dollar prices received by Birchcliff for its P&NG sales. The Corporation had no long-term forward exchange rate contracts in place as at March 31, 2024.

14. INVESTMENTS

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

As at March 31, 2024, the Corporation determined the Securities had a fair value of approximately $7.4 million (December 31, 2023 – $8.1 million). Birchcliff recorded a loss on investment of approximately $0.7 million during the three months ended March 31, 2024 compared to a loss on investment of approximately $1.5 million during the three months ended March 31, 2023.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Chris Carlsen
President and Chief Executive Officer

Bruno Geremia
Executive Vice President and Chief Financial Officer

Theo van der Werken
Chief Operating Officer

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

Duane Thompson
Vice President, Operations

Hue Tran
Vice President, Business Development and Marketing

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Jeff Tonken
Chairman of the Board
Calgary, Alberta

Dennis Dawson
Independent Lead Director
Calgary, Alberta

Debra Gerlach
Independent Director
Calgary, Alberta

Stacey McDonald
Independent Director
Calgary, Alberta

Cameron Proctor
Independent Director
Calgary, Alberta

James Surbey
Non-Independent Director
Calgary, Alberta

MANAGEMENT

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Manager, General Accounting

Jesse Doenz
Controller and Investor Relations Manager

Andrew Fulford
Surface Land Manager

Lee Grant
Manager of Engineering

Dan Lundstrom
Health and Safety Manager

Kevin Matiasz
Drilling and Completions Manager

Paul Messer
Manager of Information Technology

Tyler Murray
Mineral Land, Acquisitions and Dispositions Manager

Tam Nguyen
Manager of Marketing

Landon Poffenroth
Montney Asset Manager

Michelle Rodgerson
Manager, Human Resources and Corporate Services

Jeff Rogers
Facilities Manager

Victor Sandhawalia
Manager of Finance

Daniel Sharp
Manager of Geology

Greg Vreim
Manager of Production

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